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IN THE UNITED STATES BANKRUPTCY COURT

DISTRICT OF OREGON

| | |
|---|---|
| In re:<br><br>JAMES JOEL HOLMAN and<br>CANDICE EVANGELINE HOLMAN,<br><br>Debtors. | Case No. 14-35381-rld7 |
| DWIGHT and LAURA DANIELS,<br>husband and wife<br><br>Plaintiffs,<br><br>vs.<br><br>JAMES JOEL HOLMAN and<br>CANDICE EVANGELINE HOLMAN,<br><br>Defendants. | Adv. Proc. No. 14–03285-rld<br><br>**MOTION TO AMEND FINDINGS** |

**CERTIFICATION**

Pursuant to LBR 7007-1(a)(1), counsel for defendants certifies that the parties made a good-faith effort to confer with counsel for plaintiff but has not been able to do so.

**MOTION**

Defendant James Joel Holman moves the court for an Order amending the findings, in part,



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contained on pages 15-16 of the Memorandum Opinion. Defendant Holman relies on his Declaration and the Memorandum filed herewith.

DATED this 22 day of September, 2015.

LAW OFFICE OF PAUL HEATHERMAN PC

/s/ Paul B. Heatherman

Paul B. Heatherman - OSB #933000
Attorney for Debtors/Defendants



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**CERTIFICATE OF SERVICE**
Adversary Proceeding No. 14-03285-rld

I hereby certify that on September __22___, 2015, I served a true copy of the foregoing *Motion to Amend Findings*, via first class mail, on the following:

Darian A. Stanford / Hunter Bitner
Slinde Nelson Stanford
111 SW 5th Ave., Ste 1940
Portland, OR 97204
*Attorney for Plaintiffs*

Dated: September ___22___, 2015.

/s/ Paul B. Heatherman
Paul B. Heatherman - OSB #933000
Attorney for Defendants/Debtors



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I, James Joel Holman, hereby declare as follows:

1.

When I testified at the adversary proceeding on August 13, 2015, to the best of my recollection the Court asked me whether the $5 million dollar value stated on the applicable financial statement represented the value of the subject company when factoring in the amount of



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against the company. I testified that the $5 million dollar value represented the "gross" value of the company. As testified, my basis for that figure was on a previous professional appraisal done on the business, in which the calculated value was $4,366,000.

2.

When I testified that I reported the value of the business to be $5 million, I believed I was conveying the value to be fair market value, as stated on the appraisal itself. I believed that I was testifying that the fair market value of the company reflected the value of the company even given the company's liabilities. Long before the adversary proceeding and prior to meeting plaintiffs, I knew from the appraisal that the company's valuation was done in consideration of its liabilities. Put another way, I believed that the stated fair market value was what the company was worth on the open market. Consistent with this, when I listed the value in the financial statement at $5 million, I believed that the $5 million amount was not out of line with fair market value.

3.

When I testified to the Court that the above number reflected the "gross" amount, my understanding and intention was to communicate the fair market value of the property, and shared this same belief when preparing the financial statement.

4.

I hereby declare that the above statement is true to the best of my knowledge and belief, and I understand it is made for use as evidence in court and is subject to penalty for perjury.

DATED: September 21, 2015

James Joel Holman



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**CERTIFICATE OF SERVICE**
Adversary Proceeding No. 14-03285-rld

I hereby certify that on September __22___, 2015, I served a true copy of the foregoing *Declaration of James Joel Holman in Support of Motion to Amend Findings,* via first class mail, on the following:

Darian A. Stanford / Hunter Bitner
Slinde Nelson Stanford
111 SW 5th Ave., Ste 1940
Portland, OR 97204
*Attorney for Plaintiffs*

Dated: September ___22__, 2015.

/s/ Paul B. Heatherman
Paul B. Heatherman - OSB #933000
Attorney for Defendants/Debtors



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**MEMORANDUM**

**I.**

Defendant James Joel Holman respectfully requests that the findings on page 15 and 16 of the Court's Memorandum be amended. Specifically, when the Court asked him whether the $5 million amount listed in the financial statement denoted the gross value of defendant's company,



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defendant replied in the affirmative. However, it was defendant's understanding and belief that the value of the company was its fair market value. Defendant equated the fair market value of the company as its gross value.

In 2008, defendant had an appraisal done on the company by a reputable appraiser, Morones Young Evaluations, LLC (Portland). See Ex 1. The appraisal took into account the company's liabilities (e.g., page 16), the company's working capital (e.g., page 17) and its marketability (e.g., page 19). Based on several analyses, the company was ultimately determined to be worth $4.36 million in "current fair market value." p. 36.

It was based on this amount and the supporting analyses that defendant reported the sum of $5 million in the financial statement sent to plaintiffs. At all times, defendant believed, understood, and intended to convey to plaintiffs that the value of the company was inclusive of all debts against the company.

On pages 15-16 of its Opinion, the Court does not dispute or find fault with defendant's reliance on the previous appraisal and that the stated amount is not inconsistent with a subsequent estimate of $5 milllion. The Court, however, goes on to reason that the $5 million amount was not fair market value.

Contrary to what the Court has stated on page 16 of its Opinion, the amount was not "grossly misleading" or "grossly overstated," because at all times defendant meant that dollar figure to denote the fair market value of his business. The Court, in its Opinion, concluded that the value of the company as reported is much less than the $5 million amount stated, because it reasoned that the $5 million estimate failed to include any offsetting company liabilities. In fact, the liabilities were factored in and defendant reasonably relied on that fact when he testified about the previous appraisal.

**II.**

On page 17, lines 17-21, the Court opines that the “mortgage balance” was understated vis-a-vis the actual amount. However, defendant also testified that he occasionally reviewed the mortgage



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statements, and that he believe he had a good idea of the balances. Although no transcript yet exists, the Court took extensive notes, and may recall that defendant testified that he was generally tracking the balance amounts of the two mortgages.

As a result of the above, defendant respectfully requests that this Court amend its findings as requested above.

DATED this 22 day of September, 2015.

LAW OFFICE OF PAUL HEATHERMAN PC

/s/ Paul B. Heatherman
Paul B. Heatherman - OSB #933000
Attorney for Debtors/Defendants



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**CERTIFICATE OF SERVICE**
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Darian A. Stanford / Hunter Bitner
Slinde Nelson Stanford
111 SW 5th Ave., Ste 1940
Portland, OR 97204
*Attorney for Plaintiffs*

Dated: September __22__, 2015.

/s/ Paul B. Heatherman
Paul B. Heatherman - OSB #933000
Attorney for Defendants/Debtors



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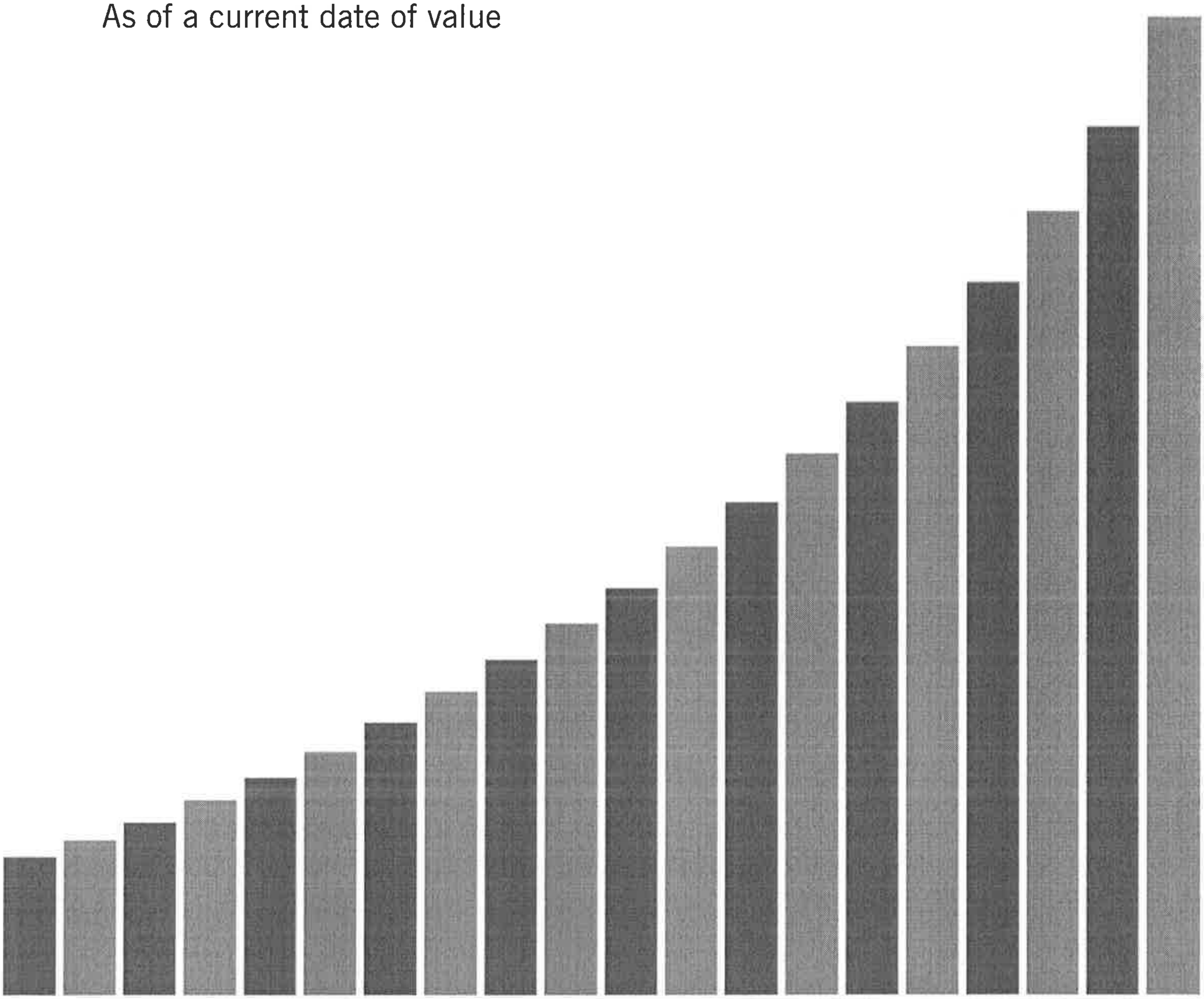
# Limited Appraisal
# of
# Integrity Transportation Group, LLC

As of a current date of value



morones young

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EXHIBIT
tabbies
1

## *Introduction*

July 28, 2008

Mr. James Holman
Integrity Transportation Group, LLC
4338 NW Yeon Ave.
Portland, OR 97210

**Re: Valuation of Integrity Transportation Group, LLC**

Dear James,

***Scope of Engagement***

You engaged me to estimate the current fair market value of Integrity Transportation Group, LLC (the "Company"). You requested that we determine the value of both a 100% interest and the aggregate non-strategic interests in the entity. Integrity Transportation Group, LLC is an Oregon Limited Liability Company that owns controlling interests in five subsidiary limited liability companies. This appraisal is being used for business planning purposes.

We have completed our analysis and set out our findings in the following report. The conclusion reached is subject to the information provided and the assumptions and limiting conditions contained in this report.

This report is to be used solely for the purpose set out above, and by the parties outlined above. We hereby disclaim liability to all other third parties. The Disclaimers and Limiting Conditions Section are to be read as an integral part of this report.

Based upon the understood purpose and use of the appraisal, we have adopted the "fair market value" standard of value. Fair market value is utilized in all income and transfer tax appraisals, and is defined by the American Society of Appraisers (ASA) as follows:

> *"The amount at which property would change hands between a willing seller and a willing buyer when neither is under compulsion and both have reasonable knowledge of the relevant facts."*

This definition follows, and is consistent with, the definition set out by the Internal Revenue Service (IRS) in Revenue Ruling 59-60.

The scope of the valuation is a "Limited Appraisal," defined by the American Society of Appraisers as being sufficient in scope to allow us to express an estimate as to the value of a business, business ownership interest, or security, and generally consists of the following attributes:

- Value is expressed as a single dollar amount or as a range;

- It considers all relevant information as of the appraisal date available to the appraiser at the time of performance of the valuation;
- The appraiser conducts appropriate procedures to collect and analyze all information expected to be relevant to the valuation; and
- The valuation is based upon consideration of all the conceptual approaches deemed to be relevant by the appraiser.

This valuation is based upon the premise that the entity being valued has been properly established for legal and income tax purposes. The legal and economic rights of an interest holder in an entity directly affect the fair market value of such an interest.

*Valuation Methodology*

Valuation of a business ownership interest requires consideration of all pertinent factors bearing upon its investment merits. The following three valuation approaches were considered:

- Income Approach: In this approach, estimated future cash flows are discounted to present value at an appropriate rate of return for the investment.
- Market Approach: This approach utilizes valuation ratios derived from market trading prices involving companies that are similar to the subject business. Acquisitions of entire companies were also considered.
- Asset-Based Approach: In this approach, the assets and liabilities of the business are restated from historical cost to fair market value.

We applied the Income and Market Approaches in this valuation. We did not apply the Asset-Based Approach because the Company is an operating company that likely has unrecorded goodwill. We do not believe a hypothetical buyer and seller would rely on the Asset-Based Approach to value this Company. Applications of the Income and Market approaches to the subject Company are described in the following sections of this report.

***Opinion of Value***

Based on our analysis, it is our opinion that the current fair market value of a 100% controlling interest in the Company is equal to **FOUR MILLION THREE HUNDRED SIXTY-SIX THOUSAND DOLLARS ($4,366,000).**

Further, it is our opinion that the current fair market value of the aggregate non-strategic interests in the Company is equal to **TWO MILLION SIX HUNDRED THIRTY-SEVEN THOUSAND DOLLARS ($2,637,000)**.

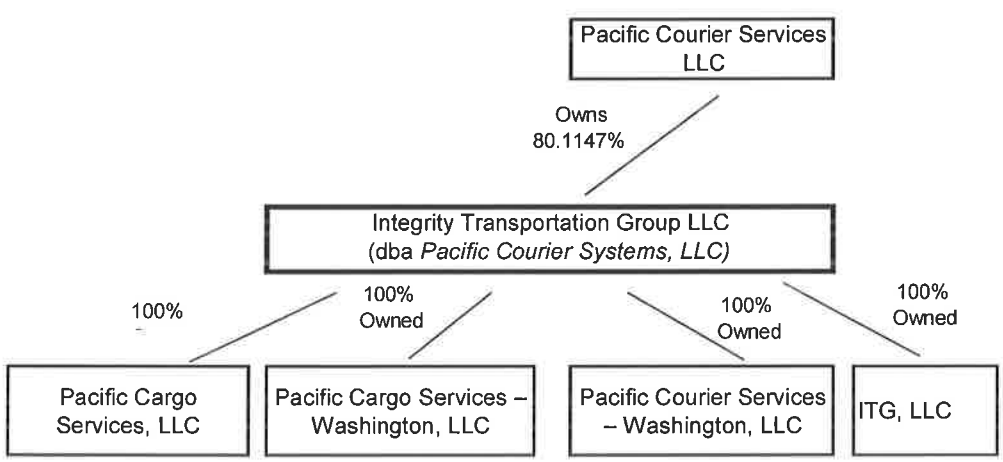
The basis for our conclusions is set out in the remainder of this report.

### *Company Description*

Integrity Transportation Services, LLC does business under the name Pacific Courier Services, LLC, or PCS. The Company was formed in 2001. The Company provides same-day courier and logistics services for companies throughout Washington, Oregon, Idaho, California, and Montana. Its services include the following:

- **On-Demand Services:** For customers located in the Portland, Seattle, and surrounding areas, the Company offers 90-minute, 3-hour, 6-hour, and extended service area options. For those located downtown, 15-, 30-, and 60-minute delivery service is available.
- **Scheduled Services**: The Company has air, ground, rail, and sea networks available for pickup and delivery deadlines.
- **Distribution:** The Company picks up, sorts, processes, and transports thousands of deliveries each day. Deliveries range in size from small envelopes to palletized freight, from one package to hundreds. The Company can deliver a shipment 24 hours a day, seven days a week.
- **Warehousing:** The Company has over 30,000 square feet of secure warehouse space to store off-site records, critical backup tapes, and inventory (on a short- or long-term basis).
- **Third-Party Logistics/Just-in-Time Services:** The Company provides a customized program for its customer to manage, warehouse, and deliver inventory.
- **Fleet Replacement:** A customer can outsource all or part of its transportation department to the Company.

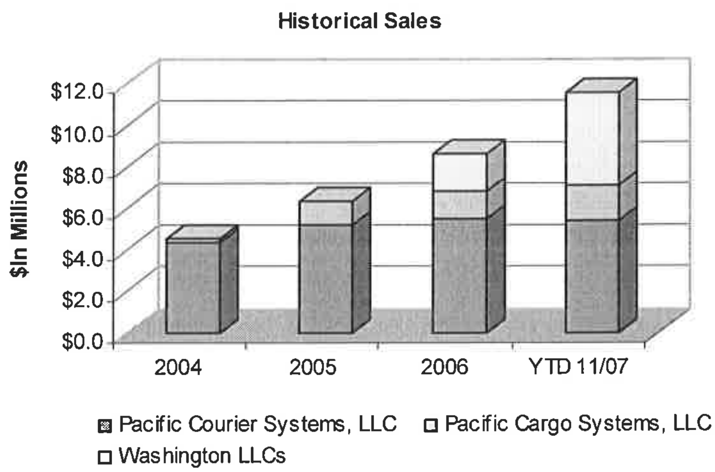
Integrity Transportation Services, LLC has a 100% interest in four separate LLCs and an 80.1147% ownership interest in Pacific Courier Services, LLC. The organization of the entity is shown as follows:



All of these entities do business under the name of Pacific Courier Services, LLC.

The Company is organized with four wholly owned LLCs and with separate ownership in Pacific Courier Services, LLC for beneficial tax and legal reasons. The Company uses a large number of independent contractors. In order to meet legal requirements, it formed Pacific Cargo Services LLC as a separate entity in 2004. Despite the relatively complicated legal structure, the entities are operated as one Company, with common management and accounting systems. Management salaries and other overhead expenses are booked in Pacific Courier Services, LLC. Pacific Courier Services charges Pacific Cargo and the Washington LLCs an administrative fee for services provided.

As shown in the following graph, total sales for the Company increased from $4.5 million in 2004 to $11.5 million for the 11 months ending November 30, 2007 (YTD 2007). The annual compound growth rate over the period was equal to 36.2%.




The separate LLCs are described as follows:

- *Pacific Courier Services, LLC* was organized as an Oregon limited liability company on May 18, 2001. It had $5.4 million in revenues in 2006 which represented 64% of total revenues for the Company. Annualized November 2007 revenues were equal to $5.8 million. Ownership in Pacific Courier Services, LLC is as follows:

| Name | Ownership |
|---|---|
| Michael Gama | 10.2766% |
| Ikemoto Family Trust | 1.5415% |
| Karen Delany | 2.6894% |
| Gary Cunningham | 4.3501% |
| Integrity Transportation Group LLC | 80.1147% |
| Margaret Gama | 1.0277% |
| **Total** | **100.0000%** |

- *Pacific Cargo Services, LLC,* was formed as an Oregon limited liability company in 2004. The entity had sales of $1.36 million in 2006 and $1.74 million for YTD November 2007.

Integrity Transportation Group, LLC owns 100% of this entity, and formed it in order to provide cargo services within the state of Oregon.

- *Pacific Courier Services – Washington, LLC* is a Washington limited liability company. It was formed in 2006. It was formed using the same business model as Pacific Courier Services, LLC for operations in Washington State. The Company had sales of $733,000 for the YTD period through November 2007.

- *Pacific Cargo Services - Washington, LLC* is a Washington limited liability company that was formed in 2006. It uses the same business model and approach as Pacific Cargo Services, LLC but a separate entity was required in order to operate in Washington State. The Company had sales of $3,687,200 for the YTD period ending November 30, 2007.

- *ITG, LLC*, is a Washington limited liability company. It was formed in 2006. It had very little activity during 2007, with no income and total expenses of $12,689.

A number of the Company's clients have products and offices in Eastern Washington. For most courier operators, Eastern Washington presents a challenging market for delivery, because freight more commonly moves from the west (Seattle area) to the eastern part of the state. Management wanted to have a footprint in the Eastern geographic area for several years. In early 2006, the Company identified the opportunity to acquire one of its competitors, AM West, based out of Spokane, Washington. AM West had operated in Eastern Washington for a number of years and had developed an extensive geographic network. However, AM West was financially troubled, losing several million dollars a year. Additionally, there were alleged financial disputes among the owners. Although AM West had developed a functional geographic network, the company could not achieve profitability.

The Company progressed towards acquiring AM West and then uncovered a variety of illegal activities of management. This discovery halted the acquisition process and even caused total failure of AM Northwest, as their lender also became aware of the issues and withdrew funding. The failure of AM Northwest caused a large opening in the competitive environment for courier services in Eastern Washington.

The Company then moved into Eastern Washington without having to acquire market share from another company. The Company's Washington operations lost money in 2006, but improved to a profitable status by February 2007. The Company's strategic approach for Washington is three pronged. The first strategy was to eliminate the unprofitable business. Sales had been $6 million but the Company reduced service offerings to around $4 million. The second strategy is to leverage the referral network of client relationships in Portland and Seattle into the Eastern Washington market. The third is to employ outside salespeople and saturate the market attempting to obtain new clients.

Management expects sales growth in the 20-25% range with a 30% gross profit margin. Management anticipates that the growth in Washington will mirror the growth in Oregon since 2001, but growth is expected to be faster and the market potential is greater. The results for 2007 appeared consistent with management expectation. Revenues grew significantly for the Washington LLCs and strong growth is expected to continue in 2008.

**Competition**

There are two main national competitors, Velocity Express and Dynamex. Management does not view these two as big competitors mainly due to the fact that they do not provide services in Eastern Washington or Oregon. These two national competitors are described as follows:

- **Velocity Express Corporation** provides time definite ground package delivery services. Velocity's service offerings are divided into three categories: scheduled logistics, consisting of the daily pickup and delivery of parcels with defined time schedules predetermined by the customer; distribution logistics, consisting of the receipt of customer bulk shipments that are divided and sorted at major metropolitan locations for delivery to multiple locations within defined time schedules; and expedited logistics, consisting of expedited point-to-point service for customers with time sensitive delivery requirements. Velocity operates primarily in the United States with limited operations in Canada. Its customers are comprised of multi-location, blue chip companies with operations in the healthcare, commercial and office products, financial, transportation and logistics, technology and energy sectors. Velocity is traded on the NASDAQ exchange under the ticker symbol VEXP. 2007 sales were equal to $376 million.

- **Dynamex Inc.** is a provider of same-day delivery and logistics services in the United States and Canada. Through its network of business centers, the Company provides same-day, on-demand, door-to-door delivery services utilizing its ground couriers. For many of its inter-city deliveries, Dynamex uses third-party air or motor carriers in conjunction with its ground couriers to provide same-day service. In addition to on-demand delivery services, it offers local and regional distribution services, which encompass recurring, often daily, point-to-point deliveries or multiple destination deliveries that often require intermediate handling. Dynamex also offers outsourcing services, as well as fleet and facilities management services. These services include designing and managing systems for transporting, sorting and delivering customers' products on a local and multi-city basis. Dynamex is traded on the NASDAQ exchange under the ticker symbol DDMX. It had sales of $425 million in 2007.

Management feels that its toughest competition comes from regional players. The biggest regional players are listed as follows:

- *Postal Express* (headquartered in Seattle, Washington) was formed in 1985. It has grown to a fleet of 175 vehicles and a team of 284 employees. PCS management estimates that their sales are in the $20-$25 million range.
- *Senvoy, LLC* (headquartered in Portland, Oregon) was established in March 1999 and is one of the largest expedited delivery services in the Northwest. Senvoy operates in five states with over 250 employees.
- *WPX Delivery Systems* was formed in 1975 in Alaska. It services the western United States from Alaska to California.

Management noted that Senvoy and WPX are traditional couriers meaning that they are not digitized and are at risk as technology changes. Some of the traditional couriers are dependent on documents such as escrow papers, which once they are digitized, there will be long-term exposure.

### Employees

The Company has 85 employees and approximately 115 independent contractors.

### Management Team

| Name | Title | Tenure |
|---|---|---|
| James Holman | CEO | 2001 |
| Karen Delany | Senior Operations Manager | 2001 |
| Gary Cunningham | Key Account Manager | 2001 |
| Shelley Klassen | Contract Controller – 2 days per week. | 2001 |
| Tom Stern | VP of Sales | 2004 |
| Lisa Kayl | Accounting Manager | 2005 |

### Customers

The Company is trying to broaden its customer base, in terms of clients and also in terms of industries represented. The Company's two largest customers are Sterling Savings Bank and Office Max. They represent $200,000 and $150,000 per month in billings, respectively. Several years ago, Sterling Savings Bank accounted for as much as 70% of sales, at present, represents about 40%. The Company is trying to diversify and estimates that in 2008, Sterling will represent about 30% of sales.

## INDUSTRY AND ECONOMIC ANALYSIS

### *Courier Services Industry*

In the mid-2000s, courier services were a multibillion-dollar U.S. industry. In 2004 alone, industry leaders United Parcel Service (UPS) and FedEx reported over $61.3 billion in revenues and employed almost 580,000 workers. Approximately 8,900 establishments operated within the industry. About 60% of these firms were local messenger and local delivery services, and the remainder were surface or ground-based couriers. Courier services, which accounted for over 90% of all industry revenues, were dominated by the big names, including UPS and FedEx. On the other hand, local carrier and delivery services were highly diversified and tended to be smaller operations. The top fifty firms accounted for just a third of the sector's revenues.

*Organization and Structure*

The diversity of business activities performed by industry firms was reflected in the number of establishments for which courier service was not their sole business. For example, industry firms included bus lines, messenger services, armored car services, temporary employment firms, business-only couriers, food product delivery companies, bicycle courier companies, newspaper publishers, specialized bank document couriers, couriers who provided "in-house" service for business clients within a single office building, and a wide variety of smaller firms. The vast majority of industry firms serviced local markets and offered no air delivery service.

The U.S. ground courier industry delivers packages and parcels generally weighing from 70-150 pounds for business and residential customers. The types of delivery available range from overnight (or "next-day") service to two-day and three-to-five-day service with a range of additional services such as international delivery, same-day intercity air delivery (packages picked up in the morning and delivered before 5:00 p.m. that day), and even express overnight service to Europe by 8:30 a.m. the next day. While overnight air service was increasingly the most dominant delivery service provided by air couriers, same-day, two-day, and three-day ground service remained a significant source of revenue for industry firms.

The industry continued to offer a wider range of services and rates to capture the many specialized niches of the package shipping market. For example, UPS introduced five new rate tiers based on commodity density, later adding a tier for light and bulky parcels. One such service, accepting packages weighing 100 pounds or more, helped UPS and other carriers compete with the small-package niche of the less-than-truckload segment of the trucking industry, which transported consolidated loads from different shippers that consisted of individual packages of 500 pounds or less. These traditionally general freight carriers began reacting to the ground couriers' cooptation of their small package business by adopting the same operating strategies that helped the leading couriers dominate their industry: local pick-up and delivery of small packages and parcels, the creation of geographical distribution networks or hubs, and the use of tracking software and high-tech sorting facilities.

The leaders of the air and ground courier industries maintained extensive networks of drop-boxes and staffed drop-off centers in addition to providing on-site package pick up. In 2005 UPS had 1,000 customer service centers, 17,000 authorized outlets, and 40,000 drop boxes. UPS purchased the shipping center chain Mail Boxes Etc., Inc. (MBE) in 2001. By 2004, MBE consisted of some 1,500 worldwide locations, more than 75 percent of which were located in the

United States. Another 3,700 MBE were renamed as The UPS Store.

In 2004 FedEx purchased Kinko's, Inc., renaming them FedEx Kinko's Office and Ship Centers. Kinko's provided FedEx with over 1,200 retail locations and allowed the company to expand into the pack-and-ship sector as UPS had with MBE. The company also had 890 global service centers, almost 7,000 authorized Ship Centers, and over 41,400 drop boxes.

In 2005, the UPS delivery network consisted of more than 600 aircraft, 88,000 vehicles, and 1,748 facilities. The company serviced more than 200 countries and delivered 14.1 million parcels and documents each day in 2004. By comparison, in 2005 FedEx had 671 planes, 71,000 vehicles, serviced 220 countries, and had a daily volume of about six million shipments per day.

*Current Conditions*

By the mid-2000s the U.S. economy had emerged from the doldrums, and the shipping industry was benefiting from the increased commerce activity. Profits were held in check, however, by record high prices for diesel. Although both UPS and FedEx experimented with fuel surcharges, by 2005 both had dropped the additional charge from their books. The fuel charge would likely reappear if the price of oil did not come down.

FedEx and UPS were becoming increasingly competitive as each moved into the other's area of expertise. In 2002 FedEx expanded its national home delivery service to reach nearly 100% of American households. Although the home-delivery segment lost $22 million in 2003, it became profitable for the first time in 2004. While FedEx aggressively expanded its ground-based services, UPS entered the next-day and two-day service delivery segment--long the domain of FedEx. Although in the mid-2000s UPS continued to dominate the ground-based delivery market and FedEx controlled the expedited shipping market (with a high use of air-based shipping), both companies were working hard to expand their portfolios to be a "one-stop" supply chain provider, able to meet the needs of a broad range of customers.

UPS's domestic package delivery services generated $26.61 billion in revenues in 2004, of which ground-based deliveries accounted for $17.4 billion, up from $16.5 billion in 2003. Average ground-based delivery volume was 10.7 million and average revenue per piece was $6.42. Ground-based deliveries increased by 4.8% during the first nine months 2004, but then slowed to just 1.5% during the fourth quarter. Revenues per piece increased by just 0.9% during the year as gains based on a price increase were offset by the elimination of a fuel surcharge.

In fiscal 2004 FedEx's ground services recorded a net income of $522 million on $3.9 billion in revenues, representing a one-year increase of 9% in revenues and 6% in profit. On a two-year comparison, 2004 revenues increased by 23% (up from $2.92 billion in 2002) and income increased by 47% (up from $337 million in 2002). Average daily package volume increased by 5% during 2004 to 2.29 million and average revenue per package increased slightly to $6.48.

The U.S. ground delivery service was a mature industry by the mid-2000s, and the outlook was tied closely to the overall economic environment: shipping would go up during period of increased economic activity and go down during sluggish periods. Growth was primarily predicated on either a good economy, cost-cutting measures, or on siphoning off customers from a competitor. However, substantial new growth was forecast for overseas operations--particularly in China. Both UPS and FedEx continued to aggressively expand their capabilities in

China, which had the world's second largest economy, behind the United States.

### *General Economic Trends*

When attempting to establish an understanding of a business entity or analyze future prospects for that entity, it is often beneficial to examine the economic conditions impacting the business.

*National Economic Trends*

Real gross domestic product (GDP) growth was equal to 3.4% in 2006 and 3.2% in 2005. After posting second quarter GDP growth of 3.8%, strong growth continued during the third quarter 2007 at 3.9%. Economists estimate that gross domestic product excluding housing grew at an annual rate of nearly 5% in the third quarter. Consumer spending grew at an annual rate of 3.0%, curbed only by an increase in energy prices. Business investment in plant and equipment grew by 7.9% and government spending by 3.7%.

Despite the strong GDP growth during the third quarter 2007, the U.S. economy is showing some signs of weakness, in particular rising inventories could lead to a cutback in production. Economists expect GDP growth of just 1.1% for the fourth quarter 2007. In addition, due to the continued decline in residential construction, tightening in credit conditions, falling house prices, and high energy costs with oil prices at around $90 per barrel, economists project growth of just 1.5% during the first half of 2008.

Consumer confidence, a key indicator of spending, dropped sharply in November 2007 to its lowest level in two years. The gauge stood at 80.9 in October 2007 but fell to 75.0 in November 2007. The higher oil prices will negatively impact the economy in two ways. They will lead to a spike in inflation and will negatively affect consumer purchasing power, thereby squeezing corporate profit margins. As the cold weather approaches, the higher oil prices are expected to filter into higher retail prices of gasoline and home heating fuel resulting in slowing consumer spending.

The demand for housing began to weaken in mid-2005, and by the middle of 2006 sales of both new and existing homes had fallen about 15% below their peak levels. Total existing-home sales in October 2007 fell to an annualized rate of 4.97 million units, the lowest level since January 1998 and a 20.7% drop from October 2006. The median price of a new home dropped by 13% during the 12 month period ending October 2007 to $213,000.

Groundbreaking for new U.S. home construction was down 16.4% in October 2007 from one year earlier, to an adjusted annual rate of 1.229 million. Building permits in October 2007 were 24.5% lower than the level posted in October 2006 and were at the lowest level since July 1993, suggesting that housing will remain in the doldrums.

Housing starts and home sales are projected to hit bottom in the second and third quarters of 2008, respectively. Total existing home sales will be down by 12% between 2006 and 2007 and then are expected to decrease another 10% during 2008 before increasing by 5% in 2009.

Starting in June of 2004, the Federal Reserve (the "Fed") raised interest rates seventeen straight times, bringing the federal funds rate to 5.25% on June 29, 2006, its highest level since 2001. The federal funds rate remained unchanged during five consecutive Federal Reserve meetings until September 18, 2007 when the Fed cut rates by 0.5%. The Fed cut rates again on October 31, 2007 by a quarter of a point, leaving the federal funds rate at 4.5%. Prime rate

has remained stable at 7.5% since November 1, 2007. Mortgage rates increased during 2007 with the national average conventional 30 year fixed mortgage rate at 6.56% in November 2007 versus 6.23% at the end of 2006.

Difficulties in the subprime mortgage market are driving many of the housing troubles. Mortgage loans with low initial rates of interest or extended terms of 40 or 50 years helped to drive home ownership rates in the United States from around 64% 20 years ago to a peak of almost 70% in recent years. These new kinds of mortgages have gone mostly to first-time home buyers and borrowers with tarnished credit or spotty employment histories. Even though subprime mortgages account for only one-eighth of total mortgages outstanding, they represent 60% of foreclosures. Subprime market's problems will bring a continued period of weakness to housing, making it difficult to forecast economic growth over the next year. The reduction in the availability of mortgage financing puts pressure on the housing sector. It could deepen the downturn in building activity and extend the decline in house prices, thereby prolonging the period of below-potential GDP growth.

The U.S. seasonally adjusted unemployment rate was equal to 4.7% in November 2007, unchanged from October 2007, but up from 4.4% in March 2007. Economists expect the national unemployment rate to remain steady in 2008. Employment growth of 1.4% is expected in both 2007 and 2008.

*Oregon*

After 16 consecutive quarters of job gains that started in the middle of 2003, Oregon lost some jobs in the third quarter 2007. The initial estimate of job loss was an annualized rate of 0.3%. Total job growth for 2007 was expected at 1.2%, a sharp deceleration from 2005 and 2006. Despite the slowdown in the national economy, Oregon's economy is expected to continue to expand in 2008, with job growth of 0.9% expected. The consensus for Oregon is that the economy will post strong growth in 2009, after low growth during 2007 and 2008.

The manufacturing sector is expected to suffer job losses in 2007, reflecting weak wood product, transportation equipment and computer and electronics industries. Some job gains are expected in 2009 as the economy recovers from the housing slump.

Construction jobs will stay virtually flat in 2007. The housing sector slowdown has yet to exert its full impact, but for now the nonresidential sector has more than offset the loss in housing construction. Some job losses are expected in 2008 followed by flat growth in 2009.

Retail jobs will increase in 2007. Professional and business services industry employment is expected to be flat in 2007 and 2008. Employment in the transportation equipment industry will decline 10.4% in 2007, partly reflecting the pullout of Freightliner commercial trucks from Portland. This sector is expected to stabilize in 2008.

Health services had strong growth in 2007 and this is expected to continue into 2008-2009.

Population growth in Oregon was expected to be slightly higher than the US average but slower than the 2.0% plus growth experienced in the early-1990s. After posting growth of 1.6% in 2006 and expected growth of 1.5% in 2007, population growth is expected to remain steady, with growth of 1.5% and 1.4% in 2008 and 2009, respectively.

*Washington State*

Washington wage and salary employment rose at a 3.2% annual rate in the third quarter of 2007, following a 2.0% growth rate in the second quarter. Construction employment growth slowed but remained strong, increasing at a 5.5% annual rate. Manufacturing employment growth improved to an annual rate of 4.5% in the third quarter after increasing by only 0.7% in the prior quarter. Durable goods manufacturing employment increased at a 5.1% rate, aided by the 9.4% growth rate of aerospace employment. Nondurable goods manufacturing employment grew in the third quarter at a rate of 2.9%.

The October 2007 Seattle Times Index of Help-Wanted Advertising dropped to 28.9 from September 2007's level of 30.6. Washington's seasonally adjusted unemployment rate stayed constant at 4.8% in October 2007.

The credit and liquidity squeeze is expected to have an adverse impact on housing and construction in Washington but that the impact will be much less than in the rest of the country. The number of housing units authorized by building permit in Washington fell 7.4% in fiscal 2007 to a still impressive 49,900 units. Single family permits fell 19.1% in 2007 to 32,700 units from a 40-year high of 40,400 units in 2006. However, multi-family units, responding to strong population growth, jumped 27.5% to 17,200 units. Even though population growth is expected to remain strong during the next two years, conventional mortgage rates are expected to trend upward. In addition, tighter lending standards and wider spreads for jumbo and other non-conventional lending products will further restrict housing activity. The forecast for total housing units authorized by building permits is for a 12.2% decrease in 2008 to 43,800 units and a 0.1% reduction in 2009 to 43,800 units.

Third quarter exports of goods originating in Washington totaled $16.6 billion, a 29.3% increase over the same quarter in 2006 and a second consecutive quarterly record. Transportation equipment exports of $10.9 billion were 35.7% above the exports of the third quarter of 2006, and exports excluding transportation equipment of $5.7 billion showed 18.8% year-over-year growth.

The recent slowdown in population growth is expected to continue into 2008. Slower population growth also reduces job growth, but it reduces labor force growth by even more. As a result, it lowers the unemployment rate, putting upward pressure on local wage and price growth.

Software employment is expected to rise 8,200 from the fourth quarter of 2006 to the fourth quarter of 2009. The software wage forecast has been raised by about $0.5 billion per year due to a higher Microsoft stock price which is expected to raise future stock option and stock award income. Washington aerospace employment has been positively impacted by the unanticipated 700 new aerospace jobs that were created as of September 2007. As of September, the aerospace sector has added 19,900 jobs since May 2004. Another 2,000 new aerospace jobs are expected by mid-2008 when employment is expected to level off at 82,700. This is still 30,400 (26.8%) lower than the previous peak in June 1998.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment growth increased to 2.9% in 2006 from 2.8% in 2005.

Washington personal income growth jumped to 8.3% in 2006 from 2.9% in 2005. The weak growth in 2005 was largely due to Microsoft's special dividend in November 2004, which

temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, personal income growth in 2005 would have been 5.7%. Income growth is expected to remain strong at 7.3% in 2007, slowing to 6.2% in 2008 and 6.1% in 2009.

Inflation, as measured by the Seattle CPI, jumped to 3.7% in 2006 from 2.8% in 2005. Core inflation (excluding food and energy) was more moderate but also increased to 3.3% in 2006 from 1.8% in 2005. Energy costs will add slightly to inflation in 2007 but declining energy costs in 2008 and 2009 should help lower overall inflation in those years. The slowdown in the overall economy should also help restrain core inflation. Inflation should decline to 3.6% in 2007, 2.4% in 2008, and 2.5% in 2009.

*Summary*

The economy is in the midst of a moderate slowdown. Higher energy costs could have a negative impact on the business. However, overall risk for the Company related to the industry and economy is deemed to be moderate.

***Valuation Analysis***

In order to value the Company, we separately analyzed the following entities.

- Pacific Courier Services, LLC ("Courier") is the Company's core business. We analyzed it separately since it is not wholly owned by the Company.

- Pacific Cargo Services, LLC ("Cargo") Although this business is 100% owned, it has existed since 2004 and its growth has stabilized. The cash flows from this business are less risky than for the new business venture into Washington State.

- Washington LLCs (including Pacific Courier Services – Washington, LLC, Pacific Cargo Services – Washington, LLC and ITG, LLC) are new business ventures as of August 2006. Management expects strong growth from these businesses, but cash flows are still unproven and more risky than the other entities.

The value of the Company is therefore equal to the sum of the value conclusions of each of the three business segments. A discussion of our valuation approach for each entity follows.

## PACIFIC COURIER SERVICES, LLC

### *Financial Review*

Schedules 1-4 present Pacific Courier Services, LLC ("Courier") historical financial results and common sized statements for the five years ended December 31, 2006 and the year to date results through November 30, 2007 (YTD 2007). Financial ratio analysis is presented at Schedule 5.

Common size statements are used to eliminate the effect of size differences and to provide additional insight into the financial ratios. On the common size income statement, all items are stated as percentage of sales while on the common size balance sheet, all accounts are stated as a percentage of total assets.

Industry comparisons are from Annual Statement Studies 2006/2007, published by RMA. The averages shown are for NAICS 492110, "Courier Services" with revenues of $5-$10 million.

*Growth*

During the five years ending December 31, 2006, Courier's revenues grew by an annual compound growth rate of 30.5%, from $1,879,000 in 2002 to $5,451,000 in 2006. Annualized YTD November 2007 sales were equal to $5,850,000 which represents a 7% increase over 2006 levels.

Courier's gross profits followed the same pattern, increasing by an annual compound growth rate of 27.1%, from $771,000 in 2002 to $2,012,000 in 2006. Annualized YTD November 2007 gross profits were equal to $2,146,000 which represents a 7% increase over 2006 levels.

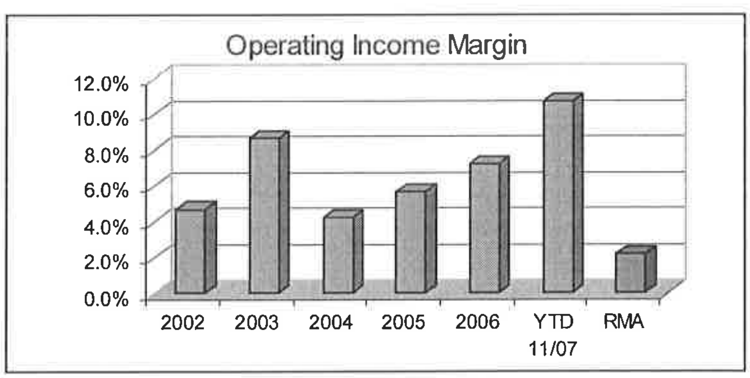
Operating profits also increased significantly over the period reviewed, from $88,600 in 2002 to $394,600 in 2006 for an annual compound growth rate of 45.3%.

Assets grew from $335,000 in 2002 to $1,995,000 in 2006 for an annual compound growth rate of 56.2%. Most of the growth was due to an increase in trade accounts receivable.

*Profitability*

As shown at Schedule 2, Courier's gross profit margin declined during the period under review, from 41.1% in 2002 to 36.9% in 2006 and 36.7% in YTD 2007.

Courier's operating profit margin trended upward over the period under review, from 4.7% in 2002 to 10.7% for YTD 2007. Courier's results were better than the industry average of 2.2%.



*Efficiency*

Efficiency ratios are used to assess management's performance and to further analyze Courier's profitability. They measure how efficiently Courier is employing its assets as well as the equity capital used to finance those assets.

As shown at Schedule 5, Courier's pretax return on assets (ROA) averaged 25.9% during 2002-2006 and was equal to 29.9% during YTD 2007. In comparison, the industry average was equal to 4.3%.

Courier's sales to assets ratio declined during the period under review and was equal to 2.7 during 2006 and 2.8 during 2007. Courier's recent results were worse than the industry average of 5.1.

The sales to net fixed assets ratio averaged 23.1 during 2002-2006 which was below the industry average of 41.8, indicating less efficient usage of fixed assets.

*Liquidity*

Liquidity ratios measure Courier's ability to meet its current obligations as they come due. As measured by the current ratio, liquidity averaged 0.8 during 2002-2006, lower than the industry average of 1.2. The quick ratio, which measures the degree to which the firm's current liabilities are covered by the most liquid current assets, averaged 0.6 during 2002-2006 which was lower than the industry benchmark of 1.1.

*Distributions*

Courier paid significant distributions during the period under review. Distributions ranged from a low of $53,400 in 2002 to a high of $601,288 in 2003. On average over the 2002-2006 period, distributions equaled $314,000, or 113% of pretax profits. The high level of distributions paid resulted in negative equity for Courier.

*Leverage*

Leverage ratios measure Courier's vulnerability to business downturns by indicating whether or not there are sufficient assets to pay off debt in the event of liquidation. During 2002-2006, Courier had a negative equity position due to the significant level of distributions paid. At November 30, 2007, Courier had an equity balance of $480,000. The debt-to-worth ratio was equal to 3.4 as compared to the industry average of 2.4. The long-term debt to total capital ratio was equal to 56%, slightly lower than the industry average of 69.3%.

The interest coverage ratio, which measures Courier's ability to service its interest-bearing debt, increased from 5.1 in 2002 to 10.0 in 2006 and 8.7 in YTD 2007. This was above the industry average of 2.6.

*Working Capital*

Working capital reflects the ability to finance current operations and provides an indication of the margin of protection for current creditors. Working capital is calculated as current assets minus current liabilities. Courier had negative working capital during 2002-2006, but at November 30, 2007, working capital was equal to $765,000 or 9.5% of sales. The high level of working capital at the valuation date was likely due to the fact that Courier had not yet paid distributions for 2007. In comparison, the industry average level of working capital was equal to 1.1% of sales.

*Summary*

Overall, the financial condition of Courier can be characterized as good. Courier recognized strong sales growth during 2002-2007. Profitability and efficiency was better than the industry average. Although liquidity was generally worse than industry norms, Courier had adequate working capital at the valuation date.

*Adjustments to Financial Statements*

We made certain adjustments to Courier's historical financial statements for the purpose of reaching a valuation conclusion. We made these adjustments to "normalize" earnings by eliminating non-recurring or extraordinary income or expense. The goal is to estimate the level of net cash flow the company is expected to generate prospectively for its owners. These adjustments do not reflect any opinion with respect to the accuracy of the Courier's financial statements.

- *Charitable Donations* were removed as a discretionary item. This had the effect of increasing net free cash flows.

- *A legal settlement of $34,000* included as other income was removed as a non-recurring item. This had the effect of decreasing net free cash flows.

The adjustments to Courier's financial results are presented at Schedule 6. Adjusted historical results are presented at Schedule 7.

***Income Approach***

The Income Approach to valuation determines the expected future cash flows from an investment and then discounts those cash flows to present value at an appropriate rate of return. The selected discount rate or rate of return should reflect the degree of uncertainty or risk associated with realizing the future cash flows compared to cash flows available from alternative investments. Higher uncertainty or risk leads to a higher expected rate of return, which produces a lower value for the investment.

Income approach valuation methods include *discounted cash flow* and *capitalization of single period cash flow*. In the discounted cash flow method, future cash flows are discounted to present value using an appropriate discount rate. It is best to use the discounted cash flow approach when a company anticipates a change in its cash flows over the near term. When current cash flows are consistent with expected future expected cash flows, it is best to use capitalization of single period cash flow method. This method converts cash flow for the next period to present value by dividing it by an appropriate capitalization rate.

We chose to apply the capitalization of single period cash flow method. We determined future expected cash flow by using 2007 annualized sales together with adjusted 2005-YTD 2007 expense margins ("Projected 2008").

*Capitalization of Single Period Cash Flow*

We calculated a future expected level of free cash flows for Courier as of the valuation date. Free cash flow is the remaining cash flow available for equity owners after meeting all of the firm's financial needs and is calculated as follows:

| | |
|---|---|
| | Pretax income |
| - | Income Taxes |
| + | Depreciation & Amortization |
| +/- | Adjusted Working Capital Changes |
| - | Capital Expenditures |
| +/- | Net changes in long-term debt |
| = | Free cash flow to equity |

As shown at Schedule 7, Projected 2008 adjusted net income is equal to $410,000. In order to convert net income to free cash flows, we made the following adjustments:

- We assumed that depreciation and capital expenditures would be equal to each other. We did not make an adjustment for these items.

- Based on the working capital analysis, Courier's working capital is equal to 5% of sales. Assuming sales growth of 4%, future working capital needs were calculated at $11,701.

- Courier had $554,000 in long-term debt at the valuation date. We assumed that this would be paid down evenly over a 20 year period, so that the annual impact was equal to $27,693.

Therefore, free cash flow to equity was equal to $391,000.

*Capitalization Rate – Build-Up Method*

The capitalization rate is equal to the discount rate less estimated long-term growth. The discount rate is a market-driven rate, representing the rate of return necessary to induce investors to commit funds to an investment given its level of risk. We relied on the "build-up" method to develop the discount rate. The following basic formula calculates the discount rate for Courier:

$$K_e = R_f + R_e + R_s + R_c$$

where:

$K_e$ = discount rate

$R_f$ = risk free rate equal to the estimated 20-year Treasury Bond yield rate for December 2007, as published in the Federal Reserve Statistical Release.

| | | |
|---|---|---|
| $R_e$ | = | Equity risk premium as published in Stocks, Bonds, Bills, and Inflation 2007 by Ibbotson Associates less 0.8%. This study shows that an investment in common stock, as represented by the Standard and Poor's 500 (S&P 500) Stock Composite Index, has historically provided an additional return above the yield of long-term (20-year) government bonds. The 0.8% downward adjustment was made to eliminate the impact on stock returns of a major upward movement in P/E multiples. |
| $R_s$ | = | Small stock risk premium as published in Stocks, Bonds, Bills, and Inflation 2007. The study indicates that an investment in "micro-capitalization" stocks, the smallest quintile of stocks traded on the New York Stock Exchange (NYSE), has historically provided an additional return (after an adjustment for beta) over the S&P 500 stocks. |
| $R_c$ | = | subject company risk premium based on a consideration of the subject Courier's operating and financial risks. |

The computation of the discount rate is presented in Schedule 8. Based on this analysis, we have selected an equity discount rate of 16.74%.

The capitalization rate is equal to the discount rate of 16.74% minus the expected long-term growth rate of free cash flows of 4%. Therefore, it is our opinion that a capitalization rate of 12.74% is appropriate for Courier's free cash flows.

*Income Approach Conclusion*

Schedule 7 summarizes the income approach. The capitalization of expected free cash flow results in an equity value of **$3,068,000** on a fully marketable, controlling interest basis.

In order to arrive at an aggregate non-strategic value in Courier, we applied a discount for lack of marketability to Courier's equity value. The discount for lack of marketability is discussed in a following section of this report.

***Market Approach***

The Market Approach to valuation rests on the premise that a business can be valued with reference to what comparable companies have sold for in an open and unrestricted market. This approach uses comparable or "*guideline*" company data to assess the value of the subject entity. The challenge in valuing a business using this approach, and particularly when valuing a small or unusual operating entity, is finding true market comparables. It is unlikely that any two businesses or ownership interests will be alike even with respect to their core competencies.

The three methods for collecting and assessing guideline company data are the share market price method, the acquisition price method and the prior transaction analysis. These methods are often used together to determine the valuation multiple to apply to a company's "earnings," net adjusted assets, cash flow, or revenue. This approach is likely to be considered appropriate when the subject company is either of requisite size to be considered comparable to companies whose shares are traded on a stock exchange or when a number of relevant acquisitions have recently occurred in which the information is publicly available or when there have been past sales or bona fide offers for the business' equity interests.

For the valuation of Courier, we did not use the Share Market price method because although we identified two publicly traded companies, Velocity Express and Dynamex, we felt that the relatively small size of Courier in comparison to these publicly traded companies meant that they were not truly comparable. We applied the Acquisition Price Method.

*Guideline Transactions*

To identify comparable acquisition transactions, we researched BIZCOMPs and Pratt's Stats, databases that contain transactional information on small businesses. We identified 17 transactions in the courier business that could be considered comparable (see Schedule 9). The acquired companies had a median revenue of $2,036,000.

An important consideration in evaluating merger & acquisition data is that the definition of "price" depends on whether a transaction is a stock deal (an acquisition of stock) or an asset deal (an acquisition of certain assets, net of assumed liabilities). All of the BIZCOMPs transactions are asset deals. 11 of the 16 Pratt's Stats transactions were asset deals, while the rest were stock deals.

*Valuation Ratios*

Various valuation ratios may be derived from guideline companies in calculating the fair market value of a closely held business. Valuation ratios can be broadly categorized as either equity or asset multiples.

As shown in Schedules 10 and 11, the following valuation ratios were used in the analysis:

Asset Multiples:
- Asset Value to Revenue
- Asset Value to SDE (Seller's Discretionary Earnings)
- Asset Value to EBITDA (earnings before interest, taxes, depreciation and amortization)
- Asset Value to EBIT (earnings before interest and taxes)

Total Equity Multiples:
- Deal Price to Pretax Income
- Deal Price to Gross Cash Flow

Valuation ratios derived from merger and acquisition transactions are considered to be majority interest ratios because they usually involve the sale of entire companies or controlling interests in companies.

*Summary*

Each adjusted valuation ratio is then applied to Courier's corresponding revenue, adjusted earnings or adjusted cash flow figure to produce an indication of value, either asset value or total equity value, depending on the type of valuation ratio employed.

The resulting asset price multiple are then adjusted to total equity values. Each asset price multiple represents the value of inventory, fixed assets (excluding real estate) and intangible assets. Adding Courier's other assets and subtracting liabilities produces an estimate of total equity value.

We gave equal weight to each of the six multiples used. As can be seen at Schedule 12, the equity value of Courier on a controlling interest basis using the Acquisitions Price Method is estimated to be **$3,672,000**.

In order to determine the value of a non-controlling, non-marketable interest, we applied both a discount for lack of control and lack of marketability to the controlling interest value. The value of Courier under the acquisitions price method on a non-controlling interest basis was therefore equal to **$2,053,000**. We discuss the methodology for how we arrived at the discounts for lack of control and lack of marketability in following sections of this report.

***Concluded Value – Courier***

In arriving at a concluded value for Courier, we gave equal weight to the income and market approaches. As shown at Schedule 13, we determined that the value of Courier on a controlling interest basis was equal to **$3,370,000**. The value of the Company's 80.114687% ownership in Courier is therefore is equal to **$2,700,000**. Our calculations are shown as follows:

| | ***Majority*** Indicated Value | Weight |
|---|---|---|
| Concluded Income Approach Value | $3,068,000 | 50% |
| Concluded Acquisitions Price Method | $3,672,000 | 50% |
| **Concluded Value** | **$3,370,000** | |
| Multiplied by: ITG Ownership | 80.114687% | |
| Concluded Value of ITG Ownership *(majority interest, fully marketable basis)* | **$2,700,000** | |

Further, it is our opinion that the fair market value of the Company's 80.114687% ownership in Courier on a non-controlling interest basis is equal to **$1,622,000**. Our calculations are shown as follows:

| | | ***Non-Controlling*** Indicated Value | Weight |
|---|---|---|---|
| Concluded Income Approach Value | | $1,994,000 | 50% |
| Concluded Acquisitions Price Method | | $2,053,000 | 50% |
| **Concluded Value** | | **$2,024,000** | |
| Multiplied by: ITG Ownership | x | 80.114687% | |
| Concluded Value of ITG Ownership *(non-controlling, non-marketable basis)* | | **$1,622,000** | |

## PACIFIC CARGO SERVICES, LLC

### *Financial Review*

Schedules 14-15 present Pacific Cargo Services, LLC ("Cargo") historical financial results and common sized statements for the three years ended December 31, 2006 and the year to date results through November 30, 2007 (YTD 2007). Financial ratio analysis is presented at Schedule 16.

Industry comparisons are from Annual Statement Studies 2006/2007, published by RMA. The averages shown are for NAICS 492110, "Courier Services" with revenues of $1-$3 million.

*Growth*

After posting sales of just $188,000, during the two years ending December 31, 2006, Cargo's revenues grew by an annual compound growth rate of 16.2%, from $1,178,000 to $1,370,000. YTD November 2007 sales were equal to $1,736,000 which represents a 26.7% increase over 2006 levels.

Cargo's gross profits had strong growth, increasing from $284,000 in 2005 to $570,000 during the YTD 2007 period.

Operating profits were equal to negative $21,000 in 2004 but then increased to $95,000 in 2005 and $152,000 in 2006. YTD 2007 operating profits were equal to $114,000. Cargo pays an administrative fee to Pacific Courier Services, LLC for management and administrative services it receives. The management fee was equal to $15,000 per month during 2006 and 2007.

Assets grew from $286,000 in 2004 to $336,000 in 2006 for an annual compound growth rate of 8.4%. Most of the growth was due to an increase in fixed assets.

*Profitability*

As shown at Schedule 14, Cargo's gross profit margin trended upward, from 16.8% in 2004 to 32.8% in YTD 2007.

Cargo's operating profit margin averaged 8.6% during 2005-YTD 2007.

*Efficiency*

As shown at Schedule 16, Cargo's pretax return on assets (ROA) averaged 38.8% during 2005-2006 and was equal to 52.6% during YTD 2007. In comparison, the industry average was equal to 6.5%.

Cargo's sales to assets ratio improved during the period under review and was equal to 8.4 during 2007. Cargo's recent results were better than the industry average of 5.2.

*Liquidity*

Liquidity ratios measure Cargo's ability to meet its current obligations as they come due. As measured by the current ratio, liquidity was equal to 4.6 during 2006 which was higher than the

industry average of 1.4. The quick ratio, which measures the degree to which the firm's current liabilities are covered by the most liquid current assets, was equal to 3.0 during 2006 which was also higher than the industry benchmark of 1.4.

*Leverage*

Leverage ratios measure Cargo's vulnerability to business downturns by indicating whether or not there are sufficient assets to pay off debt in the event of liquidation. Cargo had a negative equity position during 2004-2005 so the debt-to-worth and long-term debt to total capital ratios could not be calculated. During 2006 the debt-to-worth ratio was equal to 1.4 which was lower than the industry average of 6.0. Similarly, long-term debt to total capital ratio was equal to 55.6% which was also lower than the industry average of 78.8%.

The interest coverage ratio, which measures Cargo's ability to service its interest-bearing debt, averaged 10.0 during 2005-2006. This was above the industry average of 4.7.

*Distributions*

Cargo paid a distribution of $107,000 during 2005. No distributions were paid in 2004 or 2006 or in the year-to-date 2007 period.

*Working Capital*

Cargo had negative working capital during 2004-2005 but in 2006 working capital was positive and equal to 4.9% of sales. At November 30, 2007, working capital was equal to $223,000 or 8.5% of sales. In comparison, the industry average level of working capital was equal to 4.2% of sales.

*Summary*

Overall, the financial condition of Cargo can be characterized as good. Cargo recognized strong sales growth during 2004-2007. Profitability and efficiency were better than the industry average. Liquidity was generally better than industry norms and Cargo had adequate working capital at the valuation date.

*Adjustments to Financial Statements*

We made certain adjustments to Cargo's historical financial statements for the purpose of reaching a valuation conclusion.

- *Charitable Donations* were removed as a discretionary item. This had the effect of increasing net free cash flows.

- *Gains/Losses on Sale of Assets* was removed as a non-recurring item. This had the effect of increasing cash flow for Cargo.

The adjustments to Cargo's financial results are presented at Schedule 17. Adjusted historical results are presented at Schedule 18.

### *Income Approach*

We used the same methodology to value Cargo under the Income Approach as we used with Courier. We applied the capitalization of single period cash flow method. We determined future expected cash flow by using 2007 annualized results which we felt were most representative of future cash flow for the business. We calculated a future expected level of free cash flows for Cargo as of the valuation date.

As shown at Schedule 18, adjusted annualized 2007 net income is equal to $138,000. In order to convert net income to free cash flows, we made the following adjustments:

- We assumed that depreciation and capital expenditures would be equal to each other. We did not make an adjustment for these items.
- Based on the working capital analysis, Cargo's future working capital needs will be equal to 4.6% of sales. Assuming sales growth of 4%, future working capital needs were calculated at $3,209.
- Cargo had $189,000 in long-term debt at the valuation date. We assumed that this would be paid down evenly over a 20 year period, so that the annual impact was equal to $9,429.

Therefore, free cash flow to equity was equal to $125,000.

*Capitalization Rate – Build-Up Method*

We again used the "build-up" method to develop the discount rate for Cargo.

The computation of the discount rate is presented in Schedule 19. Based on this analysis, we have selected an equity discount rate of 16.74%.

The capitalization rate is equal to the discount rate of 16.74% minus the expected long-term growth rate of free cash flows of 4%. Therefore, it is our opinion that a capitalization rate of 12.74% is appropriate for Cargo's free cash flows.

*Income Approach Conclusion*

Schedule 18 summarizes the income approach. The capitalization of expected free cash flow results in an equity value of **$980,000** on a fully marketable, controlling interest basis.

In order to arrive at an aggregate non-strategic value in Cargo, we applied a discount for lack of marketability to Cargo's equity value. The discount for lack of marketability is discussed in a following section of this report.

### *Market Approach*

We again applied the Acquisitions Price Method, using the 17 transactions of courier business identified in the Pratt's Stats and BIZCOMPs databases as shown at Schedule 9. We used the same multiples as we did under the Courier analysis, as shown at Schedule 10 and 11. The market approach conclusion for Cargo is shown at Schedule 20.

We again gave equal weight to each of the six multiples used. As can be seen at Schedule 21, the equity value of Cargo on a controlling interest basis using the Acquisitions Price Method is **$1,244,000**.

In order to determine the value of a non-controlling, non-marketable interest, we applied both a discount for lack of control and lack of marketability to the controlling interest value. The value of Cargo under the acquisitions price method on a non-controlling interest basis was equal to **$695,000**. We discuss the methodology for how we arrived at the discounts for lack of control and lack of marketability in following sections of this report.

***Concluded Value – Cargo***

In arriving at a concluded value for Cargo, we gave equal weight to the income and market approaches. As shown at Schedule 21, we determined that the value of Cargo on a controlling interest basis is equal to **$1,112,000**. Our calculations are shown as follows:

| | *Majority* | |
|---|---|---|
| | **Indicated Value** | **Weight** |
| Concluded Income Approach Value | $980,000 | 50% |
| Concluded Acquisitions Price Method | $1,244,000 | 50% |
| **Concluded Value** | **$1,112,000** | |

Further, it is our opinion that the fair market value of Cargo on a non-controlling interest basis is equal to **$666,000**. Our calculations are shown as follows:

| | *Non-Controlling Basis* | |
|---|---|---|
| | **Indicated Value** | **Weight** |
| Concluded Income Approach Value | $637,000 | 50% |
| Concluded Acquisitions Price Method | $695,000 | 50% |
| **Concluded Value** | **$666,000** | |

## WASHINGTON LLCS

### *Financial Review*

Schedules 22-23 present combined results for Pacific Cargo Services – Washington, LLC, Pacific Courier Services – Washington LLC & ITG, LLC ("Washington LLCs") historical financial results and common sized statements for the partial year ended December 31, 2006 and the year to date results through November 30, 2007 (YTD 2007). Financial ratio analysis is presented at Schedule 24.

Industry comparisons are from Annual Statement Studies 2006/2007, published by RMA. The averages shown are for NAICS 492110, "Courier Services" with revenues of $3-$5 million.

Sales grew from $1.73 million for the partial year ended December 31, 2006 to $4,420,000 for the YTD 2007 period.

Operating profits were negative $663,000 in 2006 and negative $204,000 in 2007.

Assets declined from $1,590,000 at December 31, 2006 to $1,209,000 at November 30, 2007. The decline was caused by a drop in accounts receivable.

*Summary*

Overall, the Washington LLCs have a positive outlook. Sales increased during 2007 and management expects to generate profits in 2008. The business model is very similar to the successful strategy that the Company employed in Oregon beginning in 2001. Management expects that its operations in Washington will mirror Oregon results except that it expects sales to exceed Oregon levels in the long term due to the infrastructure it has available.

*Adjustments to Financial Statements*

We again made certain adjustments to Washington LLCs' historical financial statements for the purpose of reaching a valuation conclusion.

- *Charitable Donations* were removed as a discretionary item. This had the effect of increasing net free cash flows.

- *Gain/(Loss) on Sale of Asset* was removed as a non-recurring item. This had the effect of decreasing cash flows.

The adjustments to Washington LLCs' financial results are presented at Schedule 25. Adjusted historical results are presented at Schedule 26.

### *Income Approach*

The Income Approach to valuation determines the expected future cash flows from an investment and then discounts those cash flows to present value at an appropriate rate of return. The selected discount rate or rate of return should reflect the degree of uncertainty or risk associated with realizing the future cash flows compared to cash flows available from alternative

investments. Higher uncertainty or risk leads to a higher expected rate of return, which produces a lower value for the investment.

Income approach valuation methods include *discounted cash flow* and *capitalization of single period cash flow*. In the discounted cash flow method, future cash flows are discounted to present value using an appropriate discount rate. It is best to use the discounted cash flow approach when a company anticipates a change in its cash flows over the near term. When current cash flows are consistent with expected future expected cash flows, it is best to use capitalization of single period cash flow method. This method converts cash flow for the next period to present value by dividing it by an appropriate capitalization rate.

Since the entity is a start-up company and significant changes are expected to its sales and cash flows in the next several years, we felt that a discounted cash flow analysis was appropriate.

*Discounted Cash Flow Analysis*

In the Discounted Cash Flow Analysis, future free cash flows are estimated and then converted to present value at an appropriate discount rate, indicating the value of total equity. These cash flows represent potential cash flows available to equity holders.

*Value of Free Cash Flows to Equity*

Free cash flows to equity is defined as:

| | |
|---|---|
| | Pretax Income |
| - | Income Taxes |
| + | Depreciation & Amortization |
| +/- | Adjusted Working Capital Changes |
| - | Capital Expenditures |
| +/- | Net changes in long-term debt |
| = | Free cash flows to equity |

These future cash flows are estimated and then converted to present value at an appropriate discount rate.

We estimated free cash flows over a three year period from 2008-2010. Beyond the forecast period, a residual value is calculated using an appropriate capitalization rate. The free cash flows and residual value are converted to present value using an appropriate discount rate to indicate an equity value for the Company.

Projections of free cash flows are based on:

- Analysis of historical financial results.
- Discussions with management and management's expectations regarding sales and profitability.
- Consideration of economic and industry data.

Schedule 27 presents the forecasted free cash flows. The assumptions used in the analysis are shown in the exhibit and are summarized as follows:

- Sales growth is projected at 25% for 2008 and 20% for 2009 and 2010, with sales reaching $8 million in 2010. Thereafter, sales growth is projected to slow to 5%. We used 5% as the expected level of long term growth because we expect that sales will grow at a faster rate than the level of long-term inflation, which we have estimated at 3%.

- As management refines the business and efficiently utilizes its infrastructure in Washington, the gross profit margin is expected to gradually show improvement, increasing from the 2007 reported level of 25.9% to 29% in 2008, 29.0% in 2008, 30% in 2009 and 31% in 2010.

- The operating expense margin is expected to stabilize at 25% in 2008.

- Depreciation expense is expected to gradually decline to 1.5% of sales in 2010.

- The interest expense margin is expected to gradually decline to 1.0% of sales in 2010.
- Capital expenditures are projected at $100,000 per year during 2008-2010 based on historical results. In the residual period, capital expenditures are set equal to depreciation expense.
- Required working capital levels are estimated at 5% of sales.
- The Company has no long-term debt so future changes are projected at zero.

*Discount Rate*

We again used the "build-up" method to develop the discount rate for the Washington LLCs.

The computation of the discount rate is presented at Schedule 28. Based on this analysis, we have selected a discount rate of 19.74%.

*Residual Capitalization Rate*

Beyond the three-year forecast period, residual free cash flows are estimated to grow at a constant rate into perpetuity. These cash flows are converted to a residual value using an appropriate residual capitalization rate.

The residual capitalization rate is equal to the discount rate of 19.74% minus the expected long-term growth rate of free cash flows of 5%. Therefore, it is our opinion that a residual capitalization rate of 14.74% is appropriate for Washington LLCs' free cash flows.

*Income Approach Conclusion*

As shown at Schedule 27, the present value of Washington LLCs' free cash flows on a fully marketable controlling basis is $546,000. Since we have been asked to value the aggregate non-strategic stockholder interests, a lack-of-marketability discount must be applied. This discount is discussed in a later section of the report.

***Market Approach***

We again applied the acquisition price method, using the 17 transactions of courier businesses identified in the Pratt's Stats and BIZCOMPs databases as shown at Schedule 9. Since the Washington LLCs are not generating positive cash flows or income, we could not apply those multiples in the valuation analysis. We therefore relied solely on the price-to-revenue multiple. As can be seen at Schedule 29, the equity value of the Washington LLCs on a controlling interest basis using the Acquisitions Price Method is estimated to be **$584,000**.

In order to determine the value of a non-controlling, non-marketable interest, we applied both a discount for lack of control and lack of marketability to the controlling interest value. The value of the Washington LLCs under the acquisitions price method on a non-controlling interest basis was therefore equal to $327,000. We discuss the methodology for how we arrived at the discounts for lack of control and lack of marketability in following sections of this report.

***Concluded Value – Washington LLCs***

In arriving at a concluded value for Washington LLCs, we gave the most weight to the income approach because it represents the amount an investor would pay for the Company's expected *future* cash flows based on current market rates of return and the Company's specific risks. The Income Approach incorporates estimates of future earnings, based on current market conditions and expected future conditions.

The Acquisitions Price Method was given weight because it reflects transaction multiples for reasonably comparable businesses that represent alternative investment opportunities. However, we have weighted this approach less than the income approach since we relied on just one multiple, the price-to-revenue multiple, in arriving at a value conclusion under this approach.

As shown at Schedule 30, we determined that the current value of the Washington LLCs on a controlling interest basis was equal to **$554,000**. Our calculations are shown as follows:

| | ***Majority Interest*** | |
|---|---|---|
| | **Indicated Value** | **Weight** |
| Concluded Income Approach Value | $546,000 | 80% |
| Concluded Acquisitions Price Method | $584,469 | 20% |
| **Concluded Value** | **$554,000** | |

Further, it is our opinion that the fair market value of the Washington LLCs on a non-controlling interest basis is equal to **$349,000**. Our calculations are shown as follows:

| | *Non-Controlling Interest* | |
|---|---|---|
| | **Indicated Value** | **Weight** |
| Concluded Income Approach Value | $355,000 | 80% |
| Concluded Acquisitions Price Method | $327,000 | 20% |
| **Concluded Value** | **$349,000** | |

### *Discount for Lack of Control*

The Acquisitions Price Method produces a majority interest value for the ownership interest being valued. Therefore, a discount for lack of control (DLOC) must be applied in this approach in order to estimate value on a minority interest basis.

A minority position in a stock is worth less than a comparable control position because the minority interest holder lacks the prerogatives of control, such as hiring and terminating employees, making contracts, declaring and paying dividends, setting policy and compensation, etc. A hypothetical willing buyer would require a DLOC from a control basis valuation to acquire a minority interest.

The main source of minority discounts is the Mergerstat Control Premium Study. Minority discounts can be computed from the Mergerstat Control Premium Study data by comparing the acquisition price to the "unaffected price" of the stock prior to the transaction, which is estimated as the price just prior to the point of change in the representative "normal" pricing of a given security. Discounts can also be calculated using the stock price one day, one week, one month and two months prior to the acquisition.

In the 1980s, the median premiums paid for control interests in companies ranged from a low of 28% to a high of 45%. In the early and mid-1990s the premiums were relatively stable, ranging from 27 to 35%.

During the four quarters ended June 30, 2007, the Mergerstat Control Premium Study reported 664 transactions with a median control premium of 20.5%. To calculate the lack of control discount we used the inverse formula (1-[1/(1+.205)]) on the median control premium results. The median DLOC is therefore equal to 17.0%.

A common view is that the Mergerstat Control Premium Study reports overstated control premiums due to potential "strategic buying". Generally, there are two types of buyers of companies: "financial buyers" and "strategic or synergistic buyers". The financial buyers may or may not be in the business that is being acquired. They look at the business as a mean of providing a rate of return on their investment. By contrast, the strategic buyers are already in the business they acquire and look to create synergies between the target company and their existing operations. Since the financial buyers relate to fair market value concept as oppose to the strategic buyers that relate to investment value concept, the strategic premium must be eliminated out of the total control premium.

Steven D. Garber, ASA, CFA did a study comparing price to earnings ratios of acquired companies in going private transactions against all public transactions.[1] His findings over a ten-year period (1988-1997) indicate that 20% of the control premium relates to the strategic buying. Since fair market value excludes this strategic element, the reported control premiums must be adjusted.

To calculate the DLOC for the Company as of the valuation date, we used the latest twelve month Mergerstat Control Premium Study results for all transactions of 17.0% and applied the

[1] Steven D. Garber, ASA, CFA, Willamette Management Associates, published in the Shannon Pratt's Business Valuation Update, Volume 4, No. 8, August 1998.

findings in the Garber study and adjusted the average premium of 17.0% by 20% to 13.6%. The DLOC is therefore estimated at 14% (rounded).

### *Discount for Lack of Marketability*

There is no ready market for a membership interest in the Company and therefore a lack of marketability discount should be considered. The concept of marketability relates to how quickly and certainly an asset can be converted into cash. The markets for most assets value liquidity. An owner of publicly traded securities knows the value of his holdings through stock quotations on the organized exchanges such New York Stock Exchange or NASDAQ. On short notice these securities can quickly be converted to cash within five business days. The common stock of a closely held company is not as liquid as the comparative common stock of a publicly traded company. Accordingly, an owner of privately held securities will demand a price discount for the lack of liquidity. The discount for lack of marketability reflects such liquidity differences between closely held and publicly traded securities.

There are two general types of empirical studies designed to quantify the lack of marketability discounts associated with minority interests in closely-held companies:

- Restricted stock studies – studies of the private sale of restricted shares of the stock of publicly traded companies
- Pre-Initial Public Offering (Pre-IPO) – studies of the private stock sale transactions of a closely held company that subsequently completed a successful IPO of its stock.

*Restricted Stock*

Restricted stock is identical in all material respects to the freely traded stock of a public company with the exception that it is restricted from trading on the open market for a certain period of time. There have been many studies performed over the years with discounts ranging from 45% to 13% as shown in the graph.


Restricted stock cannot be sold on the open market, but may be sold in private placements. Until 1990, sales of restricted stocks had to be registered with the Securities and Exchange Commission (SEC) and the minimum holding period was two years. The overall discount for studies prior to 1990 was equal to 32.5%.

In 1990, large institutional investors became exempt from the disclosure requirements under SEC Rule 144A. This resulted in more trading of restricted stocks and an average reported discount of 22.2%.

On April 29, 1997, the Securities and Exchange Commission lowered the minimum holding period for restricted stocks two years to one year. Only one study has covered transactions after this date. The study identified 15 letter stock transactions during the 1997-1998 period

with an average discount of 13 percent, even lower than for the 1990-1997 period. All 15 transactions involved NASDAQ, over-the-counter (OTC) or small capitalization stocks.

*Pre-IPO Studies*
The Pre-IPO studies compare the pre-IPO trading prices with the post-IPO trading prices to determine the marketability discount associated with holding closely held stock. There are three major Pre-IPO studies:

- Emory Studies – studies for the period from 1980-2000 with an average marketability discount of 44.5%. There is also a Pre-IPO Dot-Com study for the period from 1997-2000 which indicated a marketability discount of 54.3%.
- Willamette Management Associates Studies – conducted its studies practically every year from 1975-2000. The studies analyzed all private sale transactions in the pre-IPO stock that took place during the 36 months prior to the company's IPO. The average price discount for all of the studies was equal to 37.3%.
- Valuation Advisors Lack of Marketability Discount Study – developed a searchable web-based database that provides pre-IPO data from 1995 to the present. The IPO Database contains over 3,000 transactions and over 1,350 companies in the 1995-2005 period. During 1995-2005, the median discount was equal to 53.2%.

The results of the pre-IPO studies are summarized as follows:

| Study | Years Studied | Median Discount |
|---|---|---|
| Emory Pre-IPO Studies: | 1980-1997 | 44.5% |
| Willamette Pre-IPO Studies | 1975-2000 | 49.4% |
| Valuation Advisors Pre-IPO database | 1995-2005 | 53.2% |

*Summary – Marketability Discount Studies*
The marketability discounts derived by the restricted stock studies are typically lower than the discounts from the pre-IPO studies. Perhaps, this is because the restricted stock studies are based upon transactions of public company stock, which will be readily marketable and highly liquid after a short period of time. The pre-IPO studies are based upon transactions of closely held stock that may or may not become readily marketable. Shares of a closely held company will probably never be traded on an organized exchange, so their prospects of ready marketability are even lower than that of pre-IPO companies.

*Qualitative Marketability Discount Model*
There are some limitations to using the pre-IPO and restricted stock studies to calculate the lack of marketability discount. These studies do not capture all economic characteristics that relate to a particular closely held security. To combat the limitations imposed by the studies, Christopher Mercer of Mercer Capital developed a model called the Quantitative Marketability Discount Model (QMDM). The QMDM allows the appraiser to quantify marketability discounts based on the investment characteristics of each subject illiquid interest of a closely held company. Mercer identified five primary factors that impact an investor's expectation of the cash flow to his or her equity interest.

In determining the appropriate level of discount to apply to the Company, we reviewed restricted stock studies, pre-IPO studies and the Quantitative Marketability Discount Model (QMDM). Based on our analysis, we applied a 35% discount for lack of marketability.

***Concluded Valuation***

The value of the Company is equal to the sum of the values from the three business segments, as follows:

| | Ownership | Controlling Interest Value | Aggregate Minority Value |
|---|---|---|---|
| Pacific Courier Services LLC | 80.114687% | $2,700,000 | $1,622,000 |
| Pacific Cargo LLC | 100% | + $1,112,000 | + $666,000 |
| Washington LLCs* | 100% | + $554,000 | + $349,000 |
| | **Total** | **$4,366,000** | **$2,637,000** |

* Includes Pacific Cargo Services - Washington LLC; Pacific Courier Services - Washington LLC; ITG LLC

Based on our analysis, it is our opinion that the current fair market value of a 100% controlling interest in the Company is equal to **FOUR MILLION THREE HUNDRED SIXTY-SIX THOUSAND DOLLARS ($4,366,000).**

Further, it is our opinion that the current fair market value of the aggregate non-strategic interests in the Company is equal to **TWO MILLION SIX HUNDRED THIRTY-SEVEN THOUSAND DOLLARS ($2,637,000)**.

Signed,

Laura M. Young

Serena Morones

Laura M. Young, CFA, ASA

Serena Morones, CPA, ASA, ABV

### *Disclaimer and Limiting Conditions*

This report has been prepared solely for the use of the parties named in the introduction of this report specifically for the stated purposes. We hereby disclaim liability to any other person or for any other use. The information and conclusions reached should not be relied upon by any other person nor should any statement in this report be used for any other purpose without the consent of Morones Young Valuations LLC.

The statements and opinions given in this report are given in good faith and in the belief that such statements are not false or misleading. In preparing this report, we have relied upon information believed to be reliable and accurate. We have no reason to believe that any material facts have been withheld from us, nor do we warrant that our investigation has revealed all of the matters in which an audit or more extensive examination might disclose.

This valuation reflects facts and conditions existing at the valuation dates. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

Neither of us, nor any direct or contract employee of our firm has any present or contemplated future interest in the business valued, any personal interest with respect to the parties involved, or any other interest that might prevent an unbiased valuation. Fees for this appraisal are not contingent on any action or event resulting from the analysis, opinions, conclusions in, or use of, this report.

No one else provided significant assistance with this valuation analysis.

### *Credentials & Professional Affiliations*

**Serena Morones** is a Certified Public Accountant licensed in Oregon. She has been performing business valuations and litigation damage analysis since 1996. She holds two specialty credentials in business valuation through the American Society of Appraisers (ASA) and American Institute of Certified Public Accountants (ABV). She also has a Master of Taxation degree, a Bachelor of Arts in Accounting and belongs to several professional associations including the American Institute of CPAs, the Oregon Society of CPAs, the American Society of Appraisers and the National Association of Certified Valuation Analysts.

Serena has 18 years of professional accounting experience. She began her accounting career at Price Waterhouse in 1988 and spent several years as a corporate controller in private manufacturing companies. From 1996 to 2002 she worked with the firm of Thompson, Wiest & Sickler, P.C., specializing in business valuation and litigation damage analysis. Since October of 2002, she has practiced through her own firm, now called Morones Young Valuations, LLC.

**Laura M. Young, CFA, ASA** has specialized in business valuation for the past ten years. She is a Chartered Financial Analyst through the CFA Institute and also holds an Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers. She received her MBA from the University of Washington and her B.A. in Economics from Wheaton College.

Laura has worked in finance-related positions in banking and financial consulting for the past 16 years. She was employed by Moss Adams Advisory Services from 1998 to 2004. Since 2004 she has practiced through her own firm, now called Morones Young Valuations, LLC.

Serena and Laura perform business valuations under the *Business Valuation Standards* and *Principles of Appraisal Practice and Code of Ethics* as adopted by the American Society of Appraisers.

### *Appraiser Certifications*

I certify that, to the best of my knowledge and belief:

1) The statements of fact contained in this report are true and correct.

2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3) I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.

6) My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice.*

7) My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

8) No one other than those whose signatures appear below provided significant business appraisal assistance.

Signed,

Laura M. Young | Serena Morones

Laura M. Young, CFA, ASA | Serena Morones, CPA, ASA, ABV

### *Sources of Information*

We considered the following sources of information in arriving at our opinion.

*Information about the Company*

- Company website at www.pcs-courier.com
- Tax returns for Integrity Transportation Group, LLC for the years ending December 31, 2004-2006.
- Tax returns for Pacific Courier Services, LLC for the years ending December 31, 2002-2006.
- Internal financial statements Pacific Cargo Services, LLC for the years ending December 31, 2004-2006 and for the year-to-date period ending November 30, 2007.
- Internal financial statements Pacific Cargo Services-Washington, LLC for the year ending December 31, 2006 and for the year-to-date period ending November 30, 2007.
- Internal financial statements Pacific Courier Services-Washington, LLC for the year ending December 31, 2006 and for the year-to-date period ending November 30, 2007.
- Internal financial statements ITG, LLC for the year ending December 31, 2006 and for the year-to-date period ending November 30, 2007.
- Operating Agreement for Integrity Transportation Group, LLC
- Lease Agreements for the Company.

*Information about the Industry and Economy*

- Risk Management Associates (RMA) 2006/2007 Yearbook.
- "Outside of Housing, Things Are Humming" Barron's. New York, N.Y.: Nov 5, 2007. Vol. 87, Iss. 45; pg. 51.
- "GDP's 3.9% Surge May Be Tough to Match" Wall Street Journal. (Eastern edition). New York, N.Y.: Nov 1, 2007. pg. A.2.
- "How economy bears oil spikes; Long-term view | Multiyear run-up has given it time to adapt | Analysis" Seattle Times, Nov 2, 2007. pg. E.1.
- "THE ECONOMY; Fed cuts at end of road?; The central bank lowers its key rate by a quarter of a point but signals its reluctance to go further." Los Angeles Times. Nov 1, 2007. pg. C.1
- "Grim Housing Data Lifts Wall St. Hopes for Rate Cut", New York Times. October 25, 2007, pg C.4.
- "In Brief: Existing Home Sales Off 1.2% to 4.97M Rate", Bond Buyer, November 29, 2007. Vol 362, Issue 32767, pg 6.
- "The American Dream Takes a Hit", Credit Union Magazine. November 2007. Vol 73, Issue 11, pg 70.
- Real estate's soft landing – realtors and develops see some slowdown but overall, the Portland area seems to be bucking national trends", The Oregonian, December 6, 2007.
- Oregon Economic and Revenue Forecast, December 2007, Volume XXVII, No. 4.
- Washington Economic and Revenue Forecast, November 2007, Volume XXX, No. 4.

*Capital Market Data*

- Stocks, Bonds, Bills, and Inflation (SBBI) 2007 Yearbook, Ibbotson Associates.
- Federal Reserve Statistical Release – November 2007. The Federal Reserve System.

*Schedules*

**Pacific Courier Services LLC** **Schedule 1**
**Historical Income Statement**

| | In Dollars | | | | | | Growth |
|---|---|---|---|---|---|---|---|
| | Tax Return | | | | | YTD | Rates |
| Fiscal year ended December 31 | 2002 | 2003 | 2004 | 2005 | 2006 | 11/30/2007 | FY 02-06 |
| Sales | 1,879,234 | 2,941,143 | 4,374,647 | 5,175,176 | 5,451,472 | 5,363,003 | 30.5% |
| | | | | | | | |
| Cost of Labor | 1,032,766 | 1,520,572 | 1,702,599 | 1,998,348 | 2,299,287 | | |
| Delivery Costs | 74,984 | 279,822 | 987,929 | 1,303,474 | 1,139,511 | | |
| Total Cost Of Sales | 1,107,750 | 1,800,394 | 2,690,528 | 3,301,822 | 3,438,798 | 3,396,091 | 32.7% |
| | | | | | | | |
| Gross Profit | 771,484 | 1,140,749 | 1,684,119 | 1,873,354 | 2,012,674 | 1,966,912 | 27.1% |
| | | | | | | | |
| **Operating Expenses:** | | | | | | | |
| Salaries & Wages | 95,807 | 165,387 | 461,243 | 514,813 | 521,292 | 810,438 | |
| Officer Compensation | 200,991 | 256,319 | 301,853 | 298,507 | 301,272 | 0 | |
| Repairs & Maintenance | 1,713 | 7,302 | 20,948 | 18,031 | 4,091 | 4,811 | |
| Bad Debts | 0 | 0 | 0 | (563) | 0 | 8,428 | |
| Rent | 82,980 | 81,157 | 94,861 | 132,470 | 135,640 | 127,450 | |
| Taxes & Licenses | 11,537 | 29,014 | 44,877 | 73,234 | 88,317 | 72,309 | |
| Interest Expense | 21,662 | 26,776 | 32,027 | 31,730 | 43,955 | 74,736 | |
| Depreciation | 19,700 | 27,166 | 34,954 | 44,895 | 67,333 | 61,090 | |
| Retirement Plans | 0 | 0 | 1,302 | 1,737 | 1,860 | 1,550 | |
| Employee Benefit Programs | 1,778 | 2,248 | 22,129 | 0 | 0 | 0 | |
| Admin Fee - Pacific Cargo | 0 | 0 | 0 | (84,000) | (180,000) | (165,000) | |
| Bank Service Charges | 1,546 | 4,235 | 2,422 | 1,067 | 1,894 | 21,202 | |
| Supplies | 15,223 | 31,218 | 38,102 | 0 | 27,847 | 18,966 | |
| Licenses & Permit | 452 | 269 | 351 | 0 | 0 | 474 | |
| Miscellaneous | 4,790 | (66,463) | 18,458 | (40,431) | 174,777 | 7,323 | |
| Printing & Graphics | 1,261 | 225 | 1,654 | 921 | 3 | 108 | |
| Travel Expenses | 1,802 | 4,887 | 19,854 | 4,509 | 3,468 | 48,362 | |
| Dues & Subscriptions | 858 | 4,409 | 9,607 | 8,922 | 5,952 | 4,553 | |
| Postage & Supplies | 2,197 | 1,000 | 2,679 | 4,772 | 4,349 | 8,886 | |
| Processing Fees | 0 | 0 | 0 | 11,213 | 0 | 9,803 | |
| Insurance | 5,752 | 26,635 | 4,666 | 19,462 | 14,483 | 34,823 | |
| Utilities | 4,775 | 5,245 | 11,581 | 15,611 | 17,415 | 18,549 | |
| Vehicle Expense | 8,339 | 12,076 | 0 | 22,171 | 16,775 | 0 | |
| Professional Fees | 73,982 | 89,325 | 115,539 | 116,480 | 95,266 | 81,281 | |
| Telephone | 27,932 | 29,928 | 45,681 | 43,493 | 39,322 | 34,858 | |
| Safety | 296 | 1,948 | 793 | 0 | 0 | 221 | |
| Advertising | 73,656 | 102,081 | 107,834 | 10,206 | 7,849 | 47,615 | |
| Meals & Entertainment | 11,926 | 2,146 | 35,762 | 41,474 | 32,449 | 13,867 | |
| Amortization | 0 | 0 | 4,164 | 2,333 | 54,510 | 0 | |
| Catering | 0 | 0 | 0 | 25,779 | 16,873 | 0 | |
| Company Meetings | 0 | 0 | 0 | 8,950 | 1,282 | 0 | |
| Customer Events | 0 | 0 | 0 | 1,000 | 78 | 0 | |
| Gift Certificates | 0 | 0 | 0 | 25,825 | 11,669 | 0 | |
| Office Expense | 0 | 0 | 0 | 45,477 | 0 | 6524 | |
| Loan Fees | 0 | 0 | 0 | 2,577 | 4,195 | 557 | |
| Penalties | 0 | 0 | 96 | 263 | 16 | 4231 | |
| Public Relations | 0 | 0 | 0 | 0 | 11,648 | 0 | |
| Contributions | 11,920 | 39,714 | 47,042 | 111,957 | 81,078 | 14,826 | |
| Equipment Rental | 0 | 0 | 0 | 0 | 0 | 4,085 | |
| Relocation Expense | 0 | 0 | 0 | 9,000 | (224) | 0 | |
| Professional Development | 0 | 397 | 15,994 | 53,236 | 11,318 | 15,537 | |
| Total Operating Expense | 682,875 | 884,644 | 1,496,473 | 1,577,121 | 1,618,052 | 1,392,463 | 24.1% |
| | | | | | | | |
| Operating Income/(Loss) | 88,609 | 256,105 | 187,646 | 296,233 | 394,622 | 574,449 | 45.3% |
| | | | | | | | |
| **Other Income (Expense):** | | | | | | | |
| Finance Charges | | | | | | | |
| Interest Income, net | 14 | 426 | 5 | 3 | 71 | 289 | |
| Other Income | 0 | 4,933 | 3,114 | 4,000 | 1,367 | 600 | |
| Discount on N/P Settlement | 0 | 34,000 | 0 | 0 | 0 | 0 | |
| Gains (Losses) on Sale of Assets | 0 | 0 | (537) | (1,992) | (1,558) | 0 | |
| Total Other Income (Exp.) | 14 | 39,359 | 2,582 | 2,011 | (120) | 889 | NMF |
| | | | | | | | |
| Pretax Profit | 88,623 | 295,464 | 190,228 | 298,244 | 394,502 | 575,338 | 45.3% |
| | | | | | | | |
| Total Income Taxes | 0 | 0 | 0 | 0 | 0 | 0 | |
| | | | | | | | |
| Net Income | 88,623 | 295,464 | 190,228 | 298,244 | 394,502 | 575,338 | 45.3% |
| | | | | | | | |
| Adjustment to Retained Earnings | 100,000 | 396,729 | 2,621 | 221,108 | 0 | | |
| Dividends/Distributions (-) | (53,400) | (601,288) | (142,032) | (411,146) | (362,490) | | |

Morones Young Valuations LLC
Valuation Schedules

**Pacific Courier Services LLC**

**Historical Income Statement**

***Common Sized***

Schedule 2

| Fiscal year ended December 31 | 2002 | 2003 | 2004 | 2005 | 2006 | YTD 11/30/2007 | Average FY 02-06 | Industry RMA NAICS 492110* |
|---|---|---|---|---|---|---|---|---|
| | *As a % of Sales* — Tax Return | | | | | | | |
| Sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | *100.0%* |
| Cost of Labor | 55.0% | 51.7% | 38.9% | 38.6% | 42.2% | | 45.3% | |
| Delivery Costs | 4.0% | 9.5% | 22.6% | 25.2% | 20.9% | | 16.4% | |
| Total Cost Of Sales | 58.9% | 61.2% | 61.5% | 63.8% | 63.1% | 63.3% | 61.7% | *0.0%* |
| Gross Profit | 41.1% | 38.8% | 38.5% | 36.2% | 36.9% | 36.7% | 38.3% | *100.0%* |
| **Operating Expenses:** | | | | | | | | |
| Salaries & Wages | 5.1% | 5.6% | 10.5% | 9.9% | 9.6% | 15.1% | 8.2% | |
| Officer Compensation | 10.7% | 8.7% | 6.9% | 5.8% | 5.5% | 0.0% | 7.5% | |
| Repairs & Maintenance | 0.1% | 0.2% | 0.5% | 0.3% | 0.1% | 0.1% | 0.2% | |
| Bad Debts | 0.0% | 0.0% | 0.0% | (0.0%) | 0.0% | 0.2% | (0.0%) | |
| Rent | 4.4% | 2.8% | 2.2% | 2.6% | 2.5% | 2.4% | 2.9% | |
| Taxes & Licenses | 0.6% | 1.0% | 1.0% | 1.4% | 1.6% | 1.3% | 1.1% | |
| Interest Expense | 1.2% | 0.9% | 0.7% | 0.6% | 0.8% | 1.4% | 0.8% | |
| Depreciation | 1.0% | 0.9% | 0.8% | 0.9% | 1.2% | 1.1% | 1.0% | |
| Retirement Plans | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Employee Benefit Programs | 0.1% | 0.1% | 0.5% | 0.0% | 0.0% | 0.0% | 0.1% | |
| Admin Fee - Pacific Cargo | 0.0% | 0.0% | 0.0% | (1.6%) | (3.3%) | (3.1%) | (1.0%) | |
| Bank Service Charges | 0.1% | 0.1% | 0.1% | 0.0% | 0.0% | 0.4% | 0.1% | |
| Supplies | 0.8% | 1.1% | 0.9% | 0.0% | 0.5% | 0.4% | 0.7% | |
| Licenses & Permit | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Miscellaneous | 0.3% | (2.3%) | 0.4% | (0.8%) | 3.2% | 0.1% | 0.2% | |
| Printing & Graphics | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Travel Expenses | 0.1% | 0.2% | 0.5% | 0.1% | 0.1% | 0.9% | 0.2% | |
| Dues & Subscriptions | 0.0% | 0.1% | 0.2% | 0.2% | 0.1% | 0.1% | 0.1% | |
| Postage & Supplies | 0.1% | 0.0% | 0.1% | 0.1% | 0.1% | 0.2% | 0.1% | |
| Processing Fees | 0.0% | 0.0% | 0.0% | 0.2% | 0.0% | 0.2% | 0.0% | |
| Insurance | 0.3% | 0.9% | 0.1% | 0.4% | 0.3% | 0.6% | 0.4% | |
| Utilities | 0.3% | 0.2% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | |
| Vehicle Expense | 0.4% | 0.4% | 0.0% | 0.4% | 0.3% | 0.0% | 0.3% | |
| Professional Fees | 3.9% | 3.0% | 2.6% | 2.3% | 1.7% | 1.5% | 2.7% | |
| Telephone | 1.5% | 1.0% | 1.0% | 0.8% | 0.7% | 0.6% | 1.0% | |
| Safety | 0.0% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Advertising | 3.9% | 3.5% | 2.5% | 0.2% | 0.1% | 0.9% | 2.0% | |
| Meals & Entertainment | 0.6% | 0.1% | 0.8% | 0.8% | 0.6% | 0.3% | 0.6% | |
| Amortization | 0.0% | 0.0% | 0.1% | 0.0% | 1.0% | 0.0% | 0.2% | |
| Catering | 0.0% | 0.0% | 0.0% | 0.5% | 0.3% | 0.0% | 0.2% | |
| Company Meetings | 0.0% | 0.0% | 0.0% | 0.2% | 0.0% | 0.0% | 0.0% | |
| Customer Events | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Gift Certificates | 0.0% | 0.0% | 0.0% | 0.5% | 0.2% | 0.0% | 0.1% | |
| Office Expense | 0.0% | 0.0% | 0.0% | 0.9% | 0.0% | 0.1% | 0.2% | |
| Loan Fees | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.0% | 0.0% | |
| Penalties | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.0% | |
| Public Relations | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% | 0.0% | 0.0% | |
| Contributions | 0.6% | 1.4% | 1.1% | 2.2% | 1.5% | 0.3% | 1.3% | |
| Equipment Rental | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.0% | |
| Relocation Expense | 0.0% | 0.0% | 0.0% | 0.2% | (0.0%) | 0.0% | 0.0% | |
| Professional Development | 0.0% | 0.0% | 0.4% | 1.0% | 0.2% | 0.3% | 0.3% | |
| Total Operating Expense | 36.3% | 30.1% | 34.2% | 30.5% | 29.7% | 26.0% | 32.2% | *97.8%* |
| Operating Income/(Loss) | 4.7% | 8.7% | 4.3% | 5.7% | 7.2% | 10.7% | 6.1% | *2.2%* |
| **Other Income (Expense):** | | | | | | | | |
| Finance Charges | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Interest Income, net | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Other Income | 0.0% | 0.2% | 0.1% | 0.1% | 0.0% | 0.0% | 0.1% | |
| Discount on N/P Settlement | 0.0% | 1.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% | |
| Gains (Losses) on Sale of Assets | 0.0% | 0.0% | (0.0%) | (0.0%) | (0.0%) | 0.0% | (0.0%) | |
| Total Other Income (Exp.) | 0.0% | 1.3% | 0.1% | 0.0% | (0.0%) | 0.0% | 0.3% | *(0.2%)* |
| Pretax Profit | 4.7% | 10.0% | 4.3% | 5.8% | 7.2% | 10.7% | 6.4% | *2.4%* |
| Total Income Taxes | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Net Income | 4.7% | 10.0% | 4.3% | 5.8% | 7.2% | 10.7% | 6.4% | |
| Adjustment to Retained Earnings | 5.3% | 13.5% | 0.1% | 4.3% | 0.0% | 0.0% | 4.6% | |
| Dividends/Distributions (-) | (2.8%) | (20.4%) | (3.2%) | (7.9%) | (6.6%) | NA | (8.2%) | |

* *SIC 492110 - Courier Service*

**Pacific Courier Services LLC** — **Schedule 3**

**Historical Balance Sheet**

| | In Dollars | | | | | | Growth Rates |
|---|---|---|---|---|---|---|---|
| | Tax Return | | | | | Internal | |
| Fiscal year ended December 31 | 2002 | 2003 | 2004 | 2005 | 2006 | 11/30/2007 | FY 02-06 |
| **Current Assets:** | | | | | | | |
| Cash | 57,651 | 44,087 | (73,879) | 336,007 | (20,678) | (57,493) | NMF |
| Trade Accounts Receivable | 188,579 | 367,502 | 530,929 | 873,561 | 1,040,158 | 1,212,027 | 53.3% |
| Intercompany Receivable - Related Party | 0 | 0 | 225,654 | 12,592 | 662,814 | 617,662 | NMF |
| Prepaid Expenses | 13,242 | 26,940 | 52,909 | 57,308 | 14,420 | 47,156 | NMF |
| Employee Advances | 6,689 | 10,449 | 17,233 | 14,733 | 34,857 | 13,988 | NMF |
| Total Current Assets | 266,161 | 448,978 | 752,846 | 1,294,201 | 1,731,571 | 1,833,340 | 59.7% |
| **Fixed Assets:** | | | | | | | |
| Depreciable Assets | 96,520 | 195,739 | 279,922 | 404,524 | 426,802 | | |
| Autos & Boat | | | | | | 189,404 | |
| Racking | | | | | | 3,320 | |
| Warehouse Equipment | | | | | | 4,118 | |
| Drop Boxes | | | | | | 1,125 | |
| Computer Software | | | | | | 55,938 | |
| Computer Hardware | | | | | | 102,417 | |
| Furniture | | | | | | 8,196 | |
| Office Equipment | | | | | | 45,627 | |
| Other Equipment | | | | | | 56,108 | |
| Telephones | | | | | | 15,801 | |
| Trailer | | | | | | 9,684 | |
| Total Gross Fixed Assets | 96,520 | 195,739 | 279,922 | 404,524 | 426,802 | 491,738 | 45.0% |
| Accumulated Depreciation (-) | (27,267) | (60,174) | (104,954) | (133,421) | (187,261) | (245,643) | |
| Net Fixed Assets | 69,253 | 135,565 | 174,968 | 271,103 | 239,541 | 246,095 | 36.4% |
| **Other Non-Current Assets:** | | | | | | | |
| Loan Fees | 0 | 0 | 0 | 0 | 0 | 5,537 | NMF |
| Shareholder Loan | 0 | 0 | 48,000 | 0 | 0 | 0 | NMF |
| Note Receivable | 0 | 55,246 | 25,072 | 37,139 | 22,864 | 17,526 | NMF |
| Burdell Acquisition Deposit | 0 | 0 | 0 | 42,500 | 0 | 0 | NMF |
| Total Other Non-Current Assets | 0 | 55,246 | 73,072 | 79,639 | 22,864 | 23,063 | NMF |
| **Intangible Assets:** | | | | | | | |
| Goodwill | | | | 3,314 | 52,573 | | NMF |
| Accumulated Amortization (-) | | | | | (51,544) | | NMF |
| Net Intangible Assets | 0 | 0 | 0 | 3,314 | 1,029 | 0 | NMF |
| Total Assets | 335,414 | 639,789 | 1,000,886 | 1,648,257 | 1,995,005 | 2,102,498 | 56.2% |
| **Current Liabilities:** | | | | | | | |
| Notes Payable - Bank | 236,035 | 437,650 | 495,679 | 748,224 | 791,090 | 270,300 | NMF |
| Current Portion LTD | 0 | 0 | 0 | 0 | 0 | 57,330 | NMF |
| Trade Accounts Payable | 85,082 | 20,494 | 66,236 | 124,442 | 276,386 | 237,254 | 34.3% |
| Intercompany Payable - Cargo | 0 | 0 | 188,477 | 82,535 | 168,058 | 0 | NMF |
| Accrued Expenses | 41,584 | 61,191 | 91,760 | 28,589 | 29,131 | 49,686 | NMF |
| Deferred Revenue | 80,943 | 121,629 | 208,072 | 533,864 | 566,150 | 453,851 | 62.6% |
| Total Current Liabilities | 443,644 | 640,964 | 1,050,224 | 1,517,654 | 1,830,815 | 1,068,421 | 42.5% |
| **Long Term Liabilities:** | | | | | | | |
| Note Payable, Bank | 184,764 | 200,913 | 101,930 | 173,635 | 175,210 | 553,868 | (1.3%) |
| Total Long-Term Liabilities | 184,764 | 200,913 | 101,930 | 173,635 | 175,210 | 553,868 | (1.3%) |
| Total Liabilities | 628,408 | 841,877 | 1,152,154 | 1,691,289 | 2,006,025 | 1,622,289 | 33.7% |
| **Equity:** | | | | | | | |
| Total Equity | (292,994) | (202,088) | (151,268) | (43,032) | (11,020) | 480,212 | (56.0%) |
| Total Liabilities & Equity | 335,414 | 639,789 | 1,000,886 | 1,648,257 | 1,995,005 | 2,102,501 | 56.2% |

**Pacific Courier Services LLC** **Schedule 4**
**Historical Balance Sheet**
***Common Sized***

| | As a % of Total Assets | | | | | | | Industry |
|---|---|---|---|---|---|---|---|---|
| | Tax Return | | | | | Internal | Average | RMA |
| Fiscal year ended December 31 | 2002 | 2003 | 2004 | 2005 | 2006 | 11/30/2007 | FY 02-06 | NAICS 492110* |
| **Current Assets:** | | | | | | | | |
| Cash | 17.2% | 6.9% | (7.4%) | 20.4% | (1.0%) | (2.7%) | 7.2% | *4.6%* |
| Trade Accounts Receivable | 56.2% | 57.4% | 53.0% | 53.0% | 52.1% | 57.6% | 54.4% | *49.4%* |
| Intercompany Receivable - Related Part | 0.0% | 0.0% | 22.5% | 0.8% | 33.2% | 29.4% | 11.3% | |
| Prepaid Expenses | 3.9% | 4.2% | 5.3% | 3.5% | 0.7% | 2.2% | 3.5% | *3.4%* |
| Employee Advances | 2.0% | 1.6% | 1.7% | 0.9% | 1.7% | 0.7% | 1.6% | |
| Total Current Assets | 79.4% | 70.2% | 75.2% | 78.5% | 86.8% | 87.2% | 78.0% | *58.2%* |
| **Fixed Assets:** | | | | | | | | |
| Depreciable Assets | | | | | | | | |
| Autos & Boat | | | | | | | | |
| Racking | | | | | | | | |
| Warehouse Equipment | | | | | | | | |
| Drop Boxes | | | | | | | | |
| Computer Software | | | | | | | | |
| Computer Hardware | | | | | | | | |
| Furniture | | | | | | | | |
| Office Equipment | | | | | | | | |
| Other Equipment | | | | | | | | |
| Telephones | | | | | | | | |
| Trailer | | | | | | | | |
| Total Gross Fixed Assets | 28.8% | 30.6% | 28.0% | 24.5% | 21.4% | 23.4% | 26.7% | |
| | | 0 | | | | | | |
| Accumulated Depreciation (-) | (8.1%) | (9.4%) | (10.5%) | (8.1%) | (9.4%) | (11.7%) | (9.1%) | |
| Net Fixed Assets | 20.6% | 21.2% | 17.5% | 16.4% | 12.0% | 11.7% | 17.6% | *24.2%* |
| **Other Non-Current Assets:** | | | | | | | | |
| Loan Fees | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.3% | 0.0% | |
| Shareholder Loan | 0.0% | 0.0% | 4.8% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Note Receivable | 0.0% | 8.6% | 2.5% | 2.3% | 1.1% | 0.8% | 1.7% | |
| Burdell Acquisition Deposit | 0.0% | 0.0% | 0.0% | 2.6% | 0.0% | 0.0% | 1.3% | |
| Total Other Non-Current Asse | 0.0% | 8.6% | 7.3% | 4.8% | 1.1% | 1.1% | 3.0% | *7.5%* |
| **Intangible Assets:** | | | | | | | | |
| Goodwill | 0.0% | 0.0% | 0.0% | 0.2% | 2.6% | 0.0% | 0.6% | |
| Accumulated Amortization (-) | 0.0% | 0.0% | 0.0% | 0.0% | (2.6%) | 0.0% | (0.5%) | |
| Net Intangible Assets | 0.0% | 0.0% | 0.0% | 0.2% | 0.1% | 0.0% | 0.1% | *10.1%* |
| Total Assets | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | *100.0%* |
| **Current Liabilities:** | | | | | | | | |
| Notes Payable - Bank | 70.4% | 68.4% | 49.5% | 45.4% | 39.7% | 12.9% | 42.5% | *20.6%* |
| Current Portion LTD | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 2.7% | 0.0% | *4.6%* |
| Trade Accounts Payable | 25.4% | 3.2% | 6.6% | 7.5% | 13.9% | 11.3% | 11.3% | *12.4%* |
| Intercompany Payable - Cargo | 0.0% | 0.0% | 18.8% | 5.0% | 8.4% | 0.0% | 6.5% | |
| Accrued Expenses | 12.4% | 9.6% | 9.2% | 1.7% | 1.5% | 2.4% | 6.9% | |
| Deferred Revenue | 24.1% | 19.0% | 20.8% | 32.4% | 28.4% | 21.6% | 24.9% | *21.0%* |
| Total Current Liabilities | 132.3% | 100.2% | 104.9% | 92.1% | 91.8% | 50.8% | 104.2% | *58.8%* |
| **Long Term Liabilities:** | | | | | | | | |
| Note Payable, Bank | 55.1% | 31.4% | 10.2% | 10.5% | 8.8% | 26.3% | 23.2% | *19.1%* |
| Total Long-Term Liabilities | 55.1% | 31.4% | 10.2% | 10.5% | 8.8% | 26.3% | 23.2% | *20.6%* |
| Total Liabilities | 187.4% | 131.6% | 115.1% | 102.6% | 100.6% | 77.2% | 127.4% | *79.4%* |
| **Equity:** | | | | | | | | |
| Total Equity | (87.4%) | (31.6%) | (15.1%) | (2.6%) | (0.6%) | 22.8% | (27.4%) | *20.6%* |
| Total Liabilities & Equity | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | *100.0%* |

** SIC 492110 - Courier Service*

**Pacific Courier Services LLC** Schedule 5
**Historical Financial Ratios**

| Fiscal year ended December 31 | Tax Return 2002 | 2003 | 2004 | 2005 | 2006 | Interim[a] 11/30/2007 | Average FY 02-06 | Industry RMA NAICS 492110* |
|---|---|---|---|---|---|---|---|---|
| **Growth Rates:** | | | | | | | | |
| Sales Growth | NA | 56.5% | 48.7% | 18.3% | 5.3% | 7.3% | 30.5% | NA |
| Pretax Income Growth | NA | 233.4% | (35.6%) | 56.8% | (32.3%) | 3.1% | 45.3% | NA |
| Total Asset Growth | NA | 90.7% | 56.4% | 64.7% | 21.0% | NA | 56.2% | NA |
| **Efficiency Ratios:** | | | | | | | | |
| Sales to Assets | 5.6 | 4.6 | 4.4 | 3.1 | 2.7 | 2.8 | 4.1 | 5.1 |
| Times: Pretax Margin | 4.7% | 10.0% | 4.3% | 5.8% | 7.2% | 10.7% | 6.4% | 0.8% |
| Equals: Pretax Return on Assets | 26.4% | 46.2% | 19.0% | 18.1% | 19.8% | 29.9% | 25.9% | 4.3% |
| Times: Assets to Equity | NMF | NMF | NMF | NMF | NMF | 4.38 | #DIV/0! | 10.58 |
| Equals: Pretax Return on Equity | NMF | NMF | NMF | NMF | NMF | 130.7% | #DIV/0! | 45.5% |
| Sales to Net Fixed Assets | 27.1 | 21.7 | 25.0 | 19.1 | 22.8 | 23.8 | 23.1 | 41.8 |
| Sales to Working Capital | (10.6) | (15.3) | (14.7) | (23.2) | (54.9) | 7.6 | (23.7) | 89.2 |
| Accounts Receivable Turnover | 10.0 | 8.0 | 8.2 | 5.9 | 5.2 | 4.8 | 5.3 | 12.4 |
| Payables Turnover | 13.0 | 87.8 | 40.6 | 26.5 | 12.4 | 15.6 | 18.2 | 0.0 |
| **Liquidity Ratios:** | | | | | | | | |
| Current Ratio | 0.6 | 0.7 | 0.7 | 0.9 | 0.9 | 1.7 | 0.8 | 1.2 |
| Quick Ratio | 0.6 | 0.6 | 0.4 | 0.8 | 0.6 | 1.1 | 0.6 | 1.1 |
| **Leverage Ratios:** | | | | | | | | |
| Debt to Worth | NMF | NMF | NMF | NMF | NMF | 3.4 | NMF | 2.4 |
| Long-Term Debt to Total Capital | NMF | NMF | NMF | NMF | NMF | 56.0% | NMF | 69.3% |
| Interest Coverage | 5.1 | 12.0 | 6.9 | 10.4 | 10.0 | 8.7 | 8.9 | 2.6 |
| **Working Capital:** | | | | | | | | |
| Working Capital ($) | (177,483) | (191,986) | (297,378) | (223,453) | (99,244) | 764,919 | (197,909) | |
| Working Capital as a % of Sales | -9.4% | -6.5% | -6.8% | -4.3% | -1.8% | 9.5% | -5.8% | 1.1% |

NMF indicates not meaningful
* NAICS 492110 - Courier Service
a. Ratios annualized where appropriate.

## Pacific Courier Services LLC

**Schedule 6**

**Earnings Analysis And Adjustments**

| Fiscal year ended December 31 | 2002 | 2003 | 2004 | 2005 | 2006 | YTD 11/30/2007 |
|---|---|---|---|---|---|---|
| **Sales** | 1,879,234 | 2,941,143 | 4,374,647 | 5,175,176 | 5,451,472 | 5,363,003 |
| **Cost of Sales** | 1,107,750 | 1,800,394 | 2,690,528 | 3,301,822 | 3,438,798 | 3,396,091 |
| **Operating Expense Adjustments** | | | | | | |
| Operating Expenses | $682,875 | $884,644 | $1,496,473 | $1,577,121 | $1,618,052 | $1,392,463 |
| Reclassify: Depreciation Expense | (19,700) | (27,166) | (34,954) | (44,895) | (67,333) | (61,090) |
| Remove: Contributions | (11,920) | (39,714) | (47,042) | (111,957) | (81,078) | (14,826) |
| Reclassify: Amortization Expense | 0 | 0 | (4,164) | (2,333) | (54,510) | 0 |
| Reclassify: Interest Expense | (21,662) | (26,776) | (32,027) | (31,730) | (43,955) | (74,736) |
| **Adjusted Operating Expenses** | 629,593 | 790,988 | 1,378,286 | 1,386,206 | 1,371,176 | 1,241,811 |
| **Other Income (Expense)** | | | | | | |
| Other Income (Expense) | 14 | 39,359 | 2,582 | 2,011 | (120) | 889 |
| Remove: Non-recurring Settlement | | (34,000) | | | | |
| **Other Income (Expense)** | 14 | 5,359 | 2,582 | 2,011 | 1,438 | 889 |
| **Depreciation Expense Summary** | | | | | | |
| Reclassify: Depreciation In Operating Exp. | 19,700 | 27,166 | 34,954 | 44,895 | 67,333 | 61,090 |
| **Total Depreciation Expense** | 19,700 | 27,166 | 34,954 | 44,895 | 67,333 | 61,090 |
| **Amortization Expense Summary** | | | | | | |
| Reclassify: Amortization In Operating Exp. | 0 | 0 | 4,164 | 2,333 | 54,510 | 0 |
| **Total Amortization Expense** | 0 | 0 | 4 | 2 | 55 | 0 |
| **Interest Expense Summary** | | | | | | |
| Interest in Operating Expenses | 21,662 | 26,776 | 32,027 | 31,730 | 43,955 | 74,736 |
| **Total Interest Expense** | 21,662 | 26,776 | 32,027 | 31,730 | 43,955 | 74,736 |

**Pacific Courier Services LLC** — **Schedule 7**

**Adjusted Financial Results & Income Approach Summary**

*In Dollars*

| Fiscal year ended December 31 | Internal 2002 | 2003 | 2004 | 2005 | 2006 | YTD 11/30/2007 | Annualized 2007 | Projected 2008 |
|---|---|---|---|---|---|---|---|---|
| Sales | $1,879,234 | $2,941,143 | $4,374,647 | $5,175,176 | $5,451,472 | $5,363,003 | $5,850,549 | $5,850,549 a |
| Cost of Sales | 1,107,750 | 1,800,394 | 2,690,528 | 3,301,822 | 3,438,798 | 3,396,091 | 3,704,827 | 3,704,712 |
| Gross Profit | 771,484 | 1,140,749 | 1,684,119 | 1,873,354 | 2,012,674 | 1,966,912 | 2,145,722 | 2,145,837 |
| Operating Expenses: | | | | | | | | |
| Operating Expenses | 629,593 | 790,988 | 1,378,286 | 1,386,206 | 1,371,176 | 1,241,811 | 1,354,703 | 1,429,054 |
| Depreciation Expense | 19,700 | 27,166 | 34,954 | 44,895 | 67,333 | 61,090 | 66,644 | 65,868 |
| Operating Income | 122,191 | 322,595 | 270,879 | 442,253 | 574,165 | 664,011 | 724,376 | 650,915 |
| Other Income (Expense) | 14 | 5,359 | 2,582 | 2,011 | 1,438 | 889 | 970 | 1,378 |
| Amortization Expense | 0 | 0 | 4,164 | 2,333 | 54,510 | 0 | 0 | 19,940 |
| Earnings Before Interest & Taxes (EBIT) | 122,205 | 327,954 | 269,297 | 441,931 | 521,093 | 664,900 | 725,345 | 632,353 |
| Interest Expense | 21,662 | 26,776 | 32,027 | 31,730 | 43,955 | 74,736 | 81,530 | 62,468 |
| Pretax Income | 100,543 | 301,178 | 237,270 | 410,201 | 477,138 | 590,164 | 643,815 | 569,886 |
| Income Taxes[b] | 28,152 | 84,330 | 66,436 | 114,856 | 133,599 | 165,246 | 180,268 | 159,568 |
| Net Income | 72,391 | 216,848 | 170,834 | 295,345 | 343,539 | 424,918 | 463,547 | 410,318 |
| Plus: Depreciation & Amortization | 19,700 | 27,166 | 39,118 | 47,228 | 121,843 | 61,090 | 66,644 | 85,808 |
| Cash Flow | 92,091 | 244,014 | 209,952 | 342,573 | 465,382 | 486,008 | 530,191 | 496,125 |

| | |
|---|---|
| Less: Working Capital Additions[c] | (11,701) |
| Less: Capital Expenditures[d] | (65,868) |
| Less: Additions/(Reductions) in Long-Term Debt[e] | (27,693) |
| **Free Cash Flow to Equity** | 390,863 |
| Divided by: Capitalization Rate[f] | 12.74% |
| **Equals: Equity Value of Company** | **$3,068,000** |
| Less: Discount for Lack of Marketability | 65% |
| **Concluded Value (Non-controlling, non=marketable interest basis)** | **$1,994,200** |

*As a % of Sales*

| Fiscal year ended December 31 | Internal 2002 | 2003 | 2004 | 2005 | 2006 | YTD 11/30/2007 | Annualized 2007 | Projected 2008 |
|---|---|---|---|---|---|---|---|---|
| Sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of Sales | 58.9% | 61.2% | 61.5% | 63.8% | 63.1% | 63.3% | 63.3% | 63.3% |
| Gross Profit | 41.1% | 38.8% | 38.5% | 36.2% | 36.9% | 36.7% | 36.7% | 36.7% |
| Operating Expenses: | | | | | | | | |
| Operating Expenses | 33.5% | 26.9% | 31.5% | 26.8% | 25.2% | 23.2% | 23.2% | 24.4% |
| Depreciation Expense | 1.0% | 0.9% | 0.8% | 0.9% | 1.2% | 1.1% | 1.1% | 1.1% |
| Operating Income | 6.5% | 11.0% | 6.2% | 8.5% | 10.5% | 12.4% | 12.4% | 11.1% |
| Other Income (Expense) | 0.0% | 0.2% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Amortization Expense | 0.0% | 0.0% | 0.1% | 0.0% | 1.0% | 0.0% | 0.0% | 0.3% |
| Earnings Before Interest & Taxes (EBIT) | 6.5% | 11.2% | 6.2% | 8.5% | 9.6% | 12.4% | 12.4% | 10.8% |
| Interest Expense | 1.2% | 0.9% | 0.7% | 0.6% | 0.8% | 1.4% | 1.4% | 1.1% |
| Pretax Income | 5.4% | 10.2% | 5.4% | 7.9% | 8.8% | 11.0% | 11.0% | 9.7% |
| Income Taxes[a] | 28.0% | 28.0% | 28.0% | 28.0% | 28.0% | 28.0% | 28.0% | 28.0% |
| Net Income | 3.9% | 7.4% | 3.9% | 5.7% | 6.3% | 7.9% | 7.9% | 7.0% |
| Plus: Depreciation & Amortization | 1.0% | 0.9% | 0.9% | 0.9% | 2.2% | 1.1% | 1.1% | 1.5% |
| Cash Flow | 4.9% | 8.3% | 4.8% | 6.6% | 8.5% | 9.1% | 9.1% | 8.5% |

a. Using Annualized 2007 sales.
b. Pass through entities are worth a premium over an equivalent C Corporation. After considering this premium and applying the S Corp Economic Adjustment Model (SEAM) to this Company, I determined that a flat tax rate of 28% was appropriate.
c. Future working capital requirements are equal to 5% of sales.
d. Capital expenditures are set equal to average depreciation expense.
e. The Company's long-term debt is assumed to be paid off evenly over 20 years.
f. Per Schedule 8.

## Pacific Courier Services LLC

**Schedule 8**

**Discount Rate and Capitalization Rate Analysis**

**Buildup Approach**

| | | |
|---|---|---|
| Risk Free Rate | 4.56% | 20 Year US Treasury bond yield as of November 2007. |
| Equity risk premium | 6.30% | Ibbotson Associates large company stock total returns (SBBI 2007 Yearbook) minus long-term government bonds total returns less 0.8% adj. |
| Size premium | 3.88% | Ibbotson Associates expected smallest decile returns over large company returns (SBBI 2007 Yearbook). |
| Specific risk premium | 2.00% | Risk attributable to subject company compared to stock market average companies |

| Key Factors: | Positive Or Negative |
|---|---|
| Experienced management team | + |
| Good reputation for services offered, community projects | + |
| Strong growth in sales and profits | + |
| Good outlook and growth expected | + |
| Highly competitive market | - |

| | |
|---|---|
| **Discount Rate** | **16.74%** |
| Expected long-term growth rate | 4.00% |
| **Capitalization rate** | **12.74%** |

**Pacific Courier Services LLC**
**Acquisitions Price Method**
**Financial Data**

**Schedule 9**

| Transaction Number | Acquisition Date | Description | Asset or Stock Deal | Reported Deal Price | Asset Value** | Revenues | SDE[a] $ | SDE[a] % of Revenues | EBITDA[b] $ | EBITDA[b] % of Revenues | EBIT[c] $ | EBIT[c] % of Revenues | Pretax Income $ | Pretax Income % of Revenues | Net Income ($000) | Gross Cash Flow[d] ($000) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **BIZCOMPS** | | | | | | | | | | | | | | | | |
| 1 | 04/15/98 | Courier Service | Asset | 275,000 | 278,000 | 407,000 | 110,000 | *27.0%* | NA | *NA* | NA | *NA* | NA | *NA* | | |
| 2 | 05/03/02 | Courier Service | Asset | 195,000 | 195,000 | 585,000 | 94,000 | *16.1%* | NA | *NA* | NA | *NA* | NA | *NA* | | |
| 3 | 12/31/97 | Courier Service | Asset | 150,000 | 150,000 | 600,000 | 100,000 | *16.7%* | NA | *NA* | NA | *NA* | NA | *NA* | | |
| 4 | 05/01/98 | Courier Service | Asset | 385,000 | 385,000 | 924,000 | 110,000 | *11.9%* | NA | *NA* | NA | *NA* | NA | *NA* | | |
| 5 | 01/02/02 | Courier Service | Asset | 495,000 | 495,000 | 1,100,000 | 150,000 | *13.6%* | NA | *NA* | NA | *NA* | NA | *NA* | | |
| 6 | 06/30/03 | Courier Service | Asset | 1,200,000 | 1,200,000 | 2,500,000 | 400,000 | *16.0%* | NA | *NA* | NA | *NA* | NA | *NA* | | |
| **Pratt's Stats** | | | | | | | | | | | | | | | | |
| 1 | 2/16/1999 | Next-Day Ground and Air Delivery Services | Stock | 5,425,000 | 5,425,000 | 14,849,837 | | *0.0%* | 750,551 | *5.1%* | 523,093 | *3.5%* | 513,474 | *3.5%* | 510,974 | 610,689 |
| 2 | 6/15/2005 | Courier Service | Asset | 255,000 | 255,000 | 206,445 | 98,665 | *47.8%* | 74,665 | *36.2%* | 59,602 | *28.9%* | 56,119 | *27.2%* | 56,119 | 71,182 |
| 3 | 11/30/2001 | Courier Service | Asset | 165,000 | 165,000 | 329,308 | | *0.0%* | | *0.0%* | | *0.0%* | | *0.0%* | (1,592) | 3,133 |
| 4 | 6/5/1998 | Courier Service | Stock | 3,860,000 | 3,860,000 | 6,602,611 | | *0.0%* | 1,047,655 | *15.9%* | 634,758 | *9.6%* | 574,256 | *8.7%* | 331,341 | 744,238 |
| 5 | 8/1/2002 | Courier Service | Asset | 380,000 | 380,000 | 724,226 | | *0.0%* | 117,232 | *16.2%* | 117,232 | *16.2%* | 112,113 | *15.5%* | 112,113 | 112,113 |
| 6 | 9/30/2007 | Courier Service | Stock | 500,000 | 500,000 | 819,152 | 263,038 | *32.1%* | 194,738 | *23.8%* | 194,738 | *23.8%* | 194,738 | *23.8%* | 194,738 | 136,317 |
| 7 | 5/31/2007 | Courier Service | Asset | 2,750,000 | 2,750,000 | 2,843,856 | 1,159,846 | *40.8%* | 767,846 | *27.0%* | 767,846 | *27.0%* | 763,613 | *26.9%* | 763,613 | 763,613 |
| 8 | 9/27/1999 | Courier Services | Asset | 599,000 | 599,000 | 595,226 | | *0.0%* | 179,369 | *30.1%* | 171,070 | *28.7%* | 166,649 | *28.0%* | 166,649 | 174,948 |
| 9 | 8/15/2005 | Delivery and Courier Service | Asset | 385,000 | 385,000 | 1,000,000 | | *0.0%* | 200,000 | *20.0%* | 200,000 | *20.0%* | 200,000 | *20.0%* | 200,000 | 200,000 |
| 10 | 4/15/1998 | On-Demand Courier | Asset | 60,000 | 60,000 | 108,000 | 18,000 | *16.7%* | 8,000 | *7.4%* | 4,000 | *3.7%* | 0 | *0.0%* | 0 | 4,000 |
| 11 | 10/30/1998 | Package and Courier Delivery Service | Asset | 120,000 | 120,000 | 422,000 | | | | *0.0%* | | | | | (53,023) | (45,316) |
| | | AVERAGE | | 1,011,708 | 1,011,862 | 2,036,274 | 250,355 | *14.9%* | 371,117 | *16.5%* | 298,027 | *16.1%* | 286,774 | *15.3%* | | |
| | | MEDIAN | | 385,000 | 385,000 | 724,226 | 110,000 | *14.8%* | 194,738 | *16.2%* | 194,738 | *18.1%* | 194,738 | *17.7%* | | |

NA indicates not available
* Assumed (not disclosed)
** Asset value equals market value of inventory, fixed assets (excluding real estate) and intangible assets
a. *SDE equals seller's discretionary earnings (= EBITDA plus one owners' compensation)*
b. *EBITDA equals earnings before interest, taxes, depreciation and amortization*
c. *EBIT equals earnings before interest and taxes*
d. *Gross cash flow equals net income plus depreciation and amortization*

## Pacific Courier Services LLC

Schedule 10

Acquisitions Price Method
Valuation Ratios - Asset Deals

| Transaction Number | Acquisition Date | Description | Deal Price to Revenues | SDE[a] | EBITDA[b] | EBIT[c] |
|---|---|---|---|---|---|---|
| **BIZCOMPS** | | | | | | |
| 1 | 04/15/98 | Courier Service | 0.68 | 2.53 | NA | NA |
| 2 | 06/03/02 | Courier Service | 0.33 | 2.07 | NA | NA |
| 3 | 12/31/97 | Courier Service | 0.25 | 1.50 | NA | NA |
| 4 | 05/01/98 | Courier Service | 0.42 | 3.50 | NA | NA |
| 5 | 01/02/02 | Courier Service | 0.45 | 3.30 | NA | NA |
| 6 | 06/30/03 | Courier Service | 0.48 | 3.00 | NA | NA |
| **Pratt's Stats** | | | | | | |
| 2 | 6/15/2005 | Courier Service | 1.24 | 2.58 | 3.42 | 4.28 |
| 3 | 11/30/2001 | Courier Service | 0.50 | NA | NA | NA |
| 5 | 8/1/2002 | Courier Service | 0.52 | NA | NA | 3.24 |
| 7 | 5/31/2007 | Courier Service | 0.97 | 2.37 | NA | 3.58 |
| 8 | 9/27/1999 | Courier Services | 1.01 | NA | 3.34 | 3.50 |
| 9 | 8/15/2005 | Delivery and Courier Service | 0.39 | NA | NA | 1.93 |
| 10 | 4/15/1998 | On-Demand Courier | 0.56 | 3.33 | 7.50 | 15.00 |
| 11 | 10/30/1998 | Package and Courier Delivery Service | 0.28 | NA | NA | NA |
| | **AVERAGE** | | **0.58** | **2.69** | **4.75** | **5.25** |
| | **MEDIAN** | | **0.49** | **2.58** | **3.42** | **3.54** |
| | *Number of Deals* | | *14* | *9* | *3* | *6* |

** Excluded from median calculation*
*a. SDE equals seller's discretionary cash flow (= EBITDA plus one owners' compensation)*
*b. EBITDA equals earnings before interest, taxes, depreciation and amortization*
*c. EBIT equals earnings before interest and taxes*

## Pacific Courier Services LLC

Schedule 11

Acquisitions Price Method
Valuation Ratios - Stock Deals

| Transaction Number | Acquisition Date | Description | Stock Price[a] to Pretax Income | Stock Price[a] to Gross Cash Flow[b] |
|---|---|---|---|---|
| **Pratt's Stats** | | | | |
| 1 | 2/16/1999 | Next-Day Ground and Air Delivery Services | 10.57 | 8.88 |
| 4 | 8/5/1998 | Courier Service | 6.72 | 5.19 |
| 6 | 9/30/2007 | Courier Service | 2.57 | 3.67 |
| | | **AVERAGE** | 6.62 | 5.91 |
| | | **MEDIAN** | 6.72 | 5.19 |
| | | *Number of Deals* | *3* | *3* |

NA indicates not applicable; NMF indicates not meaningful
* Excluded from average and median results
a. Stock Price equals market value of total stockholders equity
b. Gross cash flow equals net income plus depreciation and amortization

## Pacific Courier Services LLC

Schedule 12

**Acquisitions Price Method**
**Valuation Summary**

| Valuation Ratios | Number of Deals | Market Derived Valuation Ratio | Upward/ (Downward) Adjustment | Selected Valuation Ratio* | Subject Company Financial Basis | Indicated Value | Add Assets/ Subtract Debt[a] | Indicated Equity Value | Weight |
|---|---|---|---|---|---|---|---|---|---|
| **Asset Price Ratios** | | | | | | | | | |
| Revenue | 14 | 0.58 | 10% | 0.63 | $5,850,549 | $3,686,000 | $211,051 | $3,897,051 | 16.7% |
| SDE[b] | 9 | 2.69 | 10% | 2.96 | 918,161 | $2,718,000 | 211,051 | $2,929,051 | 16.7% |
| EBITDA[c] | 3 | 4.75 | 10% | 5.23 | 718,161 | $3,756,000 | 211,051 | $3,967,051 | 16.7% |
| EBIT[d] | 6 | 5.25 | 10% | 5.78 | 632,353 | $3,655,000 | 211,051 | $3,866,051 | 16.7% |
| **Stock Price Ratios** | | | | | | | | | |
| Pretax Income | 3 | 6.62 | 10% | 7.28 | $569,886 [f] | $4,149,000 | NA | $4,149,000 | 16.7% |
| Gross Cash Flow[e] | 3 | 5.91 | 10% | 6.50 | $496,125 | $3,225,000 | NA | $3,225,000 | 16.7% |

| | |
|---|---|
| Concluded Value - Acquisitions Price Method *(fully marketable controlling interest basis)* | $3,672,000 |
| Less: Discount for Lack of Control @14% | × 86% |
| Concluded Value (non-controlling interest basis) | $3,157,920 |
| Less: Discount for Lack of Marketability @ 35% | × 65% |
| **Concluded Value (non-controlling, non-marketable interest basis)** | **$2,053,000** |

NA - not available/applicable

a. To convert from Asset Price to Equity Price: add current assets; subtract total liabilities

Per Schedule 2, equal to November 30, 2007

| | |
|---|---|
| Current Assets | 1,833,340 |
| Less: Liabilities | 1,622,289 |
| Equals: Adjustment | 211,051 |

b. SDE equals seller's discretionary earnings (= EBITDA plus one owners' compensation of $200,000)

c. EBITDA equals earnings before interest, taxes, depreciation and amortization

| | |
|---|---|
| Per Schedule 7, weighted average adjusted FY 2005-YTD 2007 EBIT is equal to | 632,353 |
| Depreciation and Amortization annualized 2007 per Sch 7 | 85,808 |
| Equals: EBITDA | 718,161 |

d. EBIT equals earnings before interest and taxes

Per Schedule 7, weighted average adjusted FY 2005-YTD 2007 EBIT is equal to 632,353

e. Gross cash flow equal to net income plus depreciation and amortization

Per Schedule 7, weighted average adjusted FY 2005-YTD 2007 cash flow equal to 496,125

g. Pretax income equal to weighted average FY 2005-YTD 2007 cash flows as shown at Schedule 7.

## Pacific Courier Services LLC

**Valuation Summary**

**Schedule 13**

| | *Majority* Indicated Value | Weight |
|---|---|---|
| Concluded Income Approach Value | $3,068,000 | 50% |
| Concluded Acquisitions Price Method | $3,672,000 | 50% |
| **Concluded Value** | **$3,370,000** | |
| Multiplied by: ITG Ownership | 80.114687% | |
| Concluded Value of ITG Ownership *(majority interest, fully marketable basis)* | **$2,700,000** | |

| | *Non-Controlling* Indicated Value | Weight |
|---|---|---|
| Concluded Income Approach Value | $1,994,000 | 50% |
| Concluded Acquisitions Price Method | $2,053,000 | 50% |
| **Concluded Value** | **$2,024,000** | |
| Multiplied by: ITG Ownership | x 80.114687% | |
| Concluded Value of ITG Ownership *(non-controlling, non-marketable basis)* | **$1,622,000** | |

**Pacific Cargo Systems LLC**
**Historical Income Statement**

Schedule 14

| Fiscal year ended December 31 | In Dollars – Internal 2004 | 2005 | 2006 | YTD 11/30/2007 | Growth Rates FY 05-06 | As a % of Sales – Internal 2004 | 2005 | 2006 | YTD 11/30/2007 | Average FY 05-06 | Industry RMA SIC 492110* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales | 188,477 | 1,178,879 | 1,369,726 | 1,735,733 | 16.2% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | *100.0%* |
| Purchases | | | | | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Labor Costs | 64,135 | 296,672 | 327,488 | 470,460 | | 34.0% | 25.2% | 23.9% | 27.1% | 24.5% | |
| Background checks | 130 | 1,143 | 225 | 909 | | 0.1% | 0.1% | 0.0% | 0.1% | 0.1% | |
| Cargo Claims | 0 | 1,413 | 0 | 2,011 | | 0.0% | 0.1% | 0.0% | 0.1% | 0.1% | |
| Depreciation | 13,720 | 56,732 | 91,694 | 78,368 | | 7.3% | 4.8% | 6.7% | 4.5% | 5.8% | |
| Drug Screening & Physicals | 0 | 1,631 | 1,266 | 3,299 | | 0.0% | 0.1% | 0.1% | 0.2% | 0.1% | |
| Fuel Expense | 34,108 | 96,199 | 135,207 | 179,878 | | 18.1% | 8.2% | 9.9% | 10.4% | 9.0% | |
| Liability Insurance | 680 | 5,958 | 10,896 | 10,144 | | 0.4% | 0.5% | 0.8% | 0.6% | 0.7% | |
| Licenses & Permits | 3,421 | 1,320 | 2,272 | 3,439 | | 1.8% | 0.1% | 0.2% | 0.2% | 0.1% | |
| Purchased Transportation | 22,577 | 335,962 | 249,233 | 292,027 | | 12.0% | 28.5% | 18.2% | 16.8% | 23.3% | |
| Recruiting | 404 | 6,759 | 1,252 | 5,066 | | 0.2% | 0.6% | 0.1% | 0.3% | 0.3% | |
| Rent Expense | 0 | 3,141 | 738 | 0 | | 0.0% | 0.3% | 0.1% | 0.0% | 0.2% | |
| Repairs & Maintenance | 8,900 | 36,950 | 62,918 | 74,427 | | 4.7% | 3.1% | 4.6% | 4.3% | 3.9% | |
| Supplies & Business Forms | 537 | 8,938 | 150 | 1,180 | | 0.3% | 0.8% | 0.0% | 0.1% | 0.4% | |
| Truck Decals | 0 | 10,749 | 0 | 0 | | 0.0% | 0.9% | 0.0% | 0.0% | 0.5% | |
| Truck Supplies | 554 | 7,802 | 1,646 | 5,616 | | 0.3% | 0.7% | 0.1% | 0.3% | 0.4% | |
| Truck Wash | 1,364 | 4,567 | 0 | 0 | | 0.7% | 0.4% | 0.0% | 0.0% | 0.2% | |
| Uniform Expense | 692 | 2,875 | 1,888 | 4,988 | | 0.4% | 0.2% | 0.1% | 0.3% | 0.2% | |
| Vehicle Insurance | 5,580 | 15,745 | 32,489 | 24,043 | | 3.0% | 1.3% | 2.4% | 1.4% | 1.9% | |
| Other Costs | 0 | 0 | 0 | 10,148 | | 0.0% | 0.0% | 0.0% | 0.6% | 0.0% | |
| Crate | 0 | 0 | 0 | 49,310 | | 0.0% | 0.0% | 0.0% | 2.8% | 0.0% | |
| Total Cost Of Sales | 156,802 | 894,556 | 919,362 | 1,215,313 | 2.8% | 83.2% | 75.9% | 67.1% | 70.0% | 71.5% | *0.0%* |
| Gross Profit | 31,675 | 284,323 | 450,364 | 520,420 | 58.4% | 16.8% | 24.1% | 32.9% | 30.0% | 28.5% | *100.0%* |
| **Operating Expenses:** | | | | | | | | | | | |
| Salaries & Wages | 13,620 | 2,843 | 6287 | 7,914 | | 7.2% | 0.2% | 0.5% | 0.5% | 0.4% | |
| Rent | 106 | 0 | 0 | 750 | | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Taxes & Licenses | 1,359 | 233 | (2,100) | 15,219 | | 0.7% | 0.0% | (0.2%) | 0.9% | (0.1%) | |
| Interest Expense | 3,739 | 10,044 | 18,036 | 16,708 | | 2.0% | 0.9% | 1.3% | 1.0% | 1.1% | |
| Depreciation | 0 | 1,216 | 1,344 | 1,384 | | 0.0% | 0.1% | 0.1% | 0.1% | 0.1% | |
| Retirement Plans, etc. | 1,824 | 1,546 | 1,560 | 1,479 | | 1.0% | 0.1% | 0.1% | 0.1% | 0.1% | |
| Employee Benefits | 9,102 | 32,452 | 47,973 | 51,099 | | 4.8% | 2.8% | 3.5% | 2.9% | 3.1% | |
| Admin fee - Pacific Courier | 9,000 | 84,000 | 180,000 | 165,000 | | 4.8% | 7.1% | 13.1% | 9.5% | 10.1% | |
| Auto & Truck Expense | 300 | 93 | 0 | 11 | | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Bank Charges | 113 | 115 | 405 | 576 | | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Computer & Website | 0 | 0 | 0 | 1,178 | | 0.0% | 0.0% | 0.0% | 0.1% | 0.0% | |
| Customer Events | 0 | 4,900 | 0 | 9,602 | | 0.0% | 0.4% | 0.0% | 0.6% | 0.2% | |
| Dues & Subscriptions | 0 | 192 | 0 | 3,684 | | 0.0% | 0.0% | 0.0% | 0.2% | 0.0% | |
| Legal & Professional | 2,856 | 16,966 | 15,239 | 7,340 | | 1.5% | 1.4% | 1.1% | 0.4% | 1.3% | |
| Marketing & Promotion | 4,163 | 1,490 | 0 | 303 | | 2.2% | 0.1% | 0.0% | 0.0% | 0.1% | |
| Loan Fees | 0 | 385 | 0 | 0 | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Meals & Entertainment | 0 | 355 | 0 | 8,790 | | 0.0% | 0.0% | 0.0% | 0.5% | 0.0% | |
| Miscellaneous | 0 | 47 | 0 | 43 | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Office Expense | 0 | 2,131 | 684 | 2,765 | | 0.0% | 0.2% | 0.0% | 0.2% | 0.1% | |
| Postage | 58 | 11 | 0 | 33 | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Printing & Graphics | 0 | 154 | 0 | 189 | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Processing Fees | 2,523 | 8,339 | 10,733 | 0 | | 1.3% | 0.7% | 0.8% | 0.0% | 0.7% | |
| Professional Development | 133 | 837 | 194 | 1,551 | | 0.1% | 0.1% | 0.0% | 0.1% | 0.0% | |
| Supplies | 1,383 | 0 | 0 | 0 | | 0.7% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Telephone | 2,048 | 8,775 | 4,675 | 7,057 | | 1.1% | 0.7% | 0.3% | 0.4% | 0.5% | |
| Travel | 0 | 2,488 | 3,758 | 42,446 | | 0.0% | 0.2% | 0.3% | 2.4% | 0.2% | |
| Penalties | 0 | 0 | 40 | 40 | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Janitorial | 0 | 0 | 49 | 165 | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Contributions | 0 | 9,372 | 9,292 | 60,716 | | 0.0% | 0.8% | 0.7% | 3.5% | 0.7% | |
| Total Operating Expense | 52,327 | 188,984 | 298,169 | 406,042 | 57.8% | 27.8% | 16.0% | 21.8% | 23.4% | 18.9% | *98.0%* |
| Operating Income/(Loss) | (20,652) | 95,339 | 152,195 | 114,378 | 59.6% | (11.0%) | 8.1% | 11.1% | 6.6% | 9.6% | *2.0%* |
| **Other Income (Expense):** | | | | | | | | | | | |
| Gains (Losses) on Sale of Assets | 0 | 0 | (100) | (5,780) | | 0.0% | 0.0% | (0.0%) | (0.3%) | (0.0%) | |
| Total Other Income (Exp.) | 0 | 0 | (100) | (5,780) | #NUM! | 0.0% | 0.0% | (0.0%) | (0.3%) | (0.0%) | *0.1%* |
| Pretax Profit | (20,652) | 95,339 | 152,095 | 108,598 | 59.5% | (11.0%) | 8.1% | 11.1% | 6.3% | 9.6% | *1.9%* |
| Total Income Taxes | 0 | 0 | 0 | 0 | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Net Income | (20,652) | 95,339 | 152,095 | 108,598 | NMF | (11.0%) | 8.1% | 11.1% | 6.3% | 9.6% | |
| Adjustment to Retained Earnings | 20,000 | 0 | 0 | 0 | | 10.6% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Dividends/Distributions (-) | 0 | (107,000) | 0 | 0 | | 0.0% | (9.1%) | 0.0% | 0.0% | (4.5%) | |

* NAICS 492110 - Transportation - Couriers

**Pacific Cargo Systems LLC**
**Historical Balance Sheet**

Schedule 15

| | In Dollars | | | | Growth | As a % of Assets | | | | | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Internal | | | Interim | Rates | Internal | | | Internal | Average | RMA |
| Fiscal year ended December 31 | 2004 | 2005 | 2006 | 11/30/2007 | FY 05-06 | 2004 | 2005 | 2006 | 11/30/2007 | FY 05-06 | SIC 492110* |
| **Current Assets:** | | | | | | | | | | | |
| Cash | 15,871 | 2,533 | 49,176 | (32,402) | | 5.5% | 0.9% | 14.6% | (14.4%) | 7.7% | *18.6%* |
| Trade Accounts Receivable | 188,477 | 6,754 | 7,355 | 13,972 | | 65.9% | 2.3% | 2.2% | 6.2% | 2.2% | *35.5%* |
| Prepaid Expenses | 4,601 | 11,028 | 29,912 | 21,969 | | 1.6% | 3.8% | 8.9% | 9.8% | 6.3% | *4.5%* |
| Other | 0 | 0 | 0 | 288 | | 0.0% | 0.0% | 0.0% | 0.1% | 0.0% | |
| Total Current Assets | 208,949 | 20,315 | 86,443 | 3,827 | (95.6%) | 73.0% | 6.9% | 25.7% | 1.7% | 16.3% | *58.7%* |
| **Fixed Assets:** | | | | | | | | | | | |
| Vehicles | 90,931 | 339,296 | 402,941 | 326,678 | | 31.8% | 115.4% | 119.9% | 145.0% | 117.7% | |
| Computer Software | 0 | 2,464 | 2,464 | 2,464 | | 0.0% | 0.8% | 0.7% | 1.1% | 0.8% | |
| Computer Hardware | 0 | 2,640 | 2,640 | 2,640 | | 0.0% | 0.9% | 0.8% | 1.2% | 0.8% | |
| Furniture | 0 | 0 | 0 | 1,434 | | 0.0% | 0.0% | 0.0% | 0.6% | 0.0% | |
| Trailers | 0 | 0 | 3,456 | 3,456 | | 0.0% | 0.0% | 1.0% | 1.5% | 0.5% | |
| Warehouse Equipment | 0 | 0 | 0 | 8,585 | | 0.0% | 0.0% | 0.0% | 3.8% | 0.0% | |
| Total Gross Fixed Assets | 90,931 | 344,400 | 411,501 | 345,257 | (16.1%) | 31.8% | 117.1% | 122.5% | 153.3% | 119.8% | |
| Accumulated Depreciation (-) | (13,720) | (70,674) | (161,945) | (123,829) | | (4.8%) | (24.0%) | (48.2%) | (55.0%) | (36.1%) | |
| Net Fixed Assets | 77,211 | 273,726 | 249,556 | 221,428 | (11.3%) | 27.0% | 93.1% | 74.3% | 98.3% | 83.7% | *25.7%* |
| Total Assets | 286,160 | 294,041 | 335,999 | 225,255 | (33.0%) | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | *100.0%* |
| **Current Liabilities:** | | | | | | | | | | | |
| Notes Payable - Bank | 0 | 167,870 | 167,870 | 61,900 | | 0.0% | 57.1% | 50.0% | 27.5% | 53.5% | *19.1%* |
| Current Portion LTD | 13,000 | 0 | | 83,000 | | 4.5% | 0.0% | 0.0% | 36.8% | 0.0% | *5.3%* |
| Trade Accounts Payable | 3,457 | 17,422 | 51,079 | 46,813 | | 1.2% | 5.9% | 15.2% | 20.8% | 10.6% | *15.9%* |
| Due to PCS | 214,858 | (82,535) | (213,133) | (446,911) | | 75.1% | (28.1%) | (63.4%) | (198.4%) | (45.8%) | |
| Accrued Expenses | 3,937 | 23,092 | 13,178 | 35,320 | | 1.4% | 7.9% | 3.9% | 15.7% | 5.9% | |
| Other | 0 | 0 | 0 | 1,152 | | 0.0% | 0.0% | 0.0% | 0.5% | 0.0% | *11.4%* |
| Total Current Liabilities | 235,252 | 125,849 | 16,994 | (216,726) | NMF | 82.2% | 42.8% | 5.7% | (97.1%) | 24.2% | *51.9%* |
| | | | | | | | | 0 | | | |
| **Long Term Liabilities:** | | | | | | | | | | | |
| Notes Payable | 51,560 | 179,511 | 176,230 | 188,571 | 7.0% | 18.0% | 61.0% | 52.4% | 83.7% | 56.7% | *16.3%* |
| Total Long-Term Liabilities | 51,560 | 179,511 | 176,230 | 188,571 | 7.0% | 18.0% | 61.0% | 52.4% | 83.7% | 56.7% | *33.2%* |
| Total Liabilities | 286,812 | 305,360 | 195,224 | (30,155) | NMF | 100.2% | 103.8% | 58.1% | (13.4%) | 81.0% | *85.1%* |
| **Equity:** | | | | | | | | | | | |
| Common Stock | 0 | 341 | 341 | 680 | 99.4% | 0.0% | 0.1% | 0.1% | 0.3% | 0.1% | |
| Retained Earnings | (650) | (11,660) | 140,435 | 254,727 | 81.4% | (0.2%) | (4.0%) | 41.8% | 113.1% | 18.9% | |
| Total Equity | (650) | (11,319) | 140,776 | 255,407 | 81.4% | (0.2%) | (3.8%) | 41.9% | 113.4% | 19.0% | *14.9%* |
| Total Liabilities & Equity | 286,162 | 294,041 | 336,000 | 225,252 | (33.0%) | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | *100.0%* |
| | (2) | | | | | | | | | | |

* NAICS 492110 - Transportation - Couriers

## Pacific Cargo Systems LLC
**Historical Financial Ratios**

Schedule 16

| Fiscal year ended December 31 | 2004 | 2005 | 2006 | YTD 11/30/2007 [a] | Average FY 05-06 | Industry RMA NAICS 492110* |
|---|---|---|---|---|---|---|
| **Growth Rates:** | | | | | | |
| Sales Growth | NA | 525.5% | 16.2% | 38.2% | 16.2% | **NA** |
| Pretax Income Growth | NA | (561.6%) | (59.5%) | (22.1%) | 59.5% | **NA** |
| Total Asset Growth | NA | 2.8% | 14.3% | NA | (33.0%) | **NA** |
| **Efficiency Ratios:** | | | | | | |
| Sales to Assets | 0.7 | 4.0 | 4.1 | 8.4 | 4.0 | **5.2** |
| Times: Pretax Margin | (11.0%) | 8.1% | 11.1% | 6.3% | 9.6% | **1.3%** |
| Equals: Pretax Return on Assets | (7.2%) | 32.4% | 45.3% | 52.6% | 38.8% | **6.5%** |
| Times: Assets to Equity | NMF | NMF | 2.39 | 0.88 | 2.39 | **5.62** |
| Equals: Pretax Return on Equity | NMF | NMF | 108.0% | 46.4% | 108.0% | **36.5%** |
| Sales to Net Fixed Assets | 2.4 | 4.3 | 5.5 | 8.6 | 4.9 | **41.5** |
| Sales to Working Capital | (7.2) | (11.2) | 20.3 | 8.5 | 4.6 | **23.6** |
| Accounts Receivable Turnover | 1.0 | 174.5 | 186.2 | 135.5 | 180.4 | **14.7** |
| Payables Turnover | 45.4 | 51.3 | 18.0 | 28.3 | 34.7 | **0.0** |
| **Liquidity Ratios:** | | | | | | |
| Current Ratio | 0.9 | 0.2 | 4.6 | (0.0) | 2.4 | **1.4** |
| Quick Ratio | 0.9 | 0.1 | 3.0 | 0.1 | 1.5 | **1.4** |
| **Leverage Ratios:** | | | | | | |
| Debt to Worth | NMF | NMF | 1.4 | (0.1) | 1.4 | **6.0** |
| Long-Term Debt to Total Capital | NMF | NMF | 55.6% | 51.5% | 55.6% | **78.8%** |
| Interest Coverage | (4.5) | 10.5 | 9.4 | 7.5 | 10.0 | **4.7** |
| **Working Capital:** | | | | | | |
| Working Capital ($) | (26,303) | (105,534) | 67,449 | 222,553 | (19,043) | |
| Working Capital as a % of Sales | -14.0% | -9.0% | 4.9% | 8.5% | -2.0% | **4.2%** |

NMF indicates not meaningful

* NAICS 492110 - Transportation - Couriers

a. Ratios annualized where appropriate.

## Pacific Cargo Systems LLC

**Schedule 17**

**Earnings Analysis And Adjustments**

| Fiscal year ended December 31 | 2004 | 2005 | 2006 | YTD 11/30/2007 | Annualized 2007 |
|---|---|---|---|---|---|
| **Sales** | 188,477 | 1,178,879 | 1,369,726 | 1,735,733 | 1,893,527 |
| **Cost of Sales Adjustments** | | | | | |
| Cost of Sales | $156,802 | $894,556 | $919,362 | $1,215,313 | $1,325,796 |
| Reclassify: Depreciation Expense | (13,720) | (56,732) | (91,694) | (78,368) | (85,492) |
| **Cost of Sales** | 143,082 | 837,824 | 827,668 | 1,136,945 | 1,240,304 |
| **Operating Expense Adjustments** | | | | | |
| Operating Expenses | $52,327 | $188,984 | $298,169 | $406,042 | $442,955 |
| Reclassify: Depreciation Expense | 0 | (1,216) | (1,344) | (1,384) | (1,510) |
| Remove: Contributions Expense | 0 | (9,372) | (9,292) | (60,716) | (66,236) |
| Reclassify: Interest Expense | (3,739) | (10,044) | (18,036) | (16,708) | (18,227) |
| **Adjusted Operating Expenses** | 48,588 | 168,352 | 269,497 | 310,526 | 356,983 |
| **Other Income (Expense)** | | | | | |
| Other Income (Expense) | 0 | 0 | (100) | (5,780) | ($6,305) |
| Remove: Gain (Losses) on Sale of Assets | | | 100 | 5,780 | 6,305 |
| **Other Income (Expense)** | 0 | 0 | 0 | 0 | 0 |
| **Depreciation Expense Summary** | | | | | |
| Reclassify: Depreciation In Cost of Sales | 13,720 | 56,732 | 91,694 | 78,368 | 85,492 |
| Reclassify: Depreciation In Operating Exp. | 0 | 1,216 | 1,344 | 1,384 | 1,510 |
| **Total Depreciation Expense** | 13,720 | 57,948 | 93,038 | 79,752 | 87,002 |
| **Interest Expense Summary** | | | | | |
| Interest in Operating Expenses | 3,739 | 10,044 | 18,036 | 16,708 | 18,227 |
| **Total Interest Expense** | 3,739 | 10,044 | 18,036 | 16,708 | 18,227 |

## Pacific Cargo Systems LLC

**Schedule 18**

**Adjusted Financial Results & Income Approach Summary**

*In Dollars*

| Fiscal year ended December 31 | 2004 | 2005 | 2006 | YTD 11/30/2007 | Annualized 2007 | Average FY 05-YTD 07 |
|---|---|---|---|---|---|---|
| Sales | $188,477 | $1,178,879 | $1,369,726 | $1,735,733 | $1,893,527 | $1,480,711 |
| Cost of Sales | 143,082 | 837,824 | 827,668 | 1,136,945 | 1,240,304 | 972,322 |
| Gross Profit | 45,395 | 341,055 | 542,058 | 598,788 | 653,223 | 508,389 |
| Operating Expenses: | | | | | | |
| Operating Expenses | 48,588 | 168,352 | 269,497 | 310,526 | 356,983 | 255,897 |
| Depreciation Expense | 13,720 | 57,948 | 93,038 | 79,752 | 87,002 | 80,465 |
| Operating Income | (16,913) | 114,755 | 179,523 | 208,510 | 209,239 | 172,027 |
| Other Income (Expense) | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortization Expense | 0 | 0 | 0 | 0 | 0 | 0 |
| Earnings Before Interest & Taxes (EBIT) | (16,913) | 114,755 | 179,523 | 208,510 | 209,239 | 172,027 |
| Interest Expense | 3,739 | 10,044 | 18,036 | 16,708 | 18,227 | 15,455 |
| Pretax Income | (20,652) | 104,711 | 161,487 | 191,802 | 191,012 | 156,571 |
| Income Taxes[a] | (5,783) | 29,319 | 45,216 | 53,705 | 53,483 | 43,840 |
| Net Income | (14,869) | 75,392 | 116,271 | 138,097 | 137,528 | 112,731 |
| Plus: Depreciation & Amortization | 13,720 | 57,948 | 93,038 | 79,752 | 87,002 | 80,465 |
| Cash Flow | (1,149) | 133,340 | 209,309 | 217,849 | 224,531 | 193,197 |
| | | | | | | |
| Less: Working Capital Additions[b] | | | | | (3,209) | |
| Less: Capital Expenditures[c] | | | | | (87,002) | |
| Less: Additions/(Reductions) in Long-Term Debt[d] | | | | | (9,429) | |
| **Free Cash Flow to Equity** | | | | | 124,890 | |
| | | | | | | |
| Divided by: Capitalization Rate[e] | | | | ÷ | 12.74% | |
| | | | | | | |
| **Equals: Equity Value** | | | | | **$980,000** | |
| Discount for Lack of Marketability | | | | × | 65% | |
| **Concluded Value (non-marketable, non-controlling interest basis)** | | | | | **$ 637,000** | |

*As a % of Sales*

| Fiscal year ended December 31 | 2004 | 2005 | 2006 | YTD 11/30/2007 | Annualized 2007 | Average FY 05-YTD 07 |
|---|---|---|---|---|---|---|
| Sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of Sales | 75.9% | 71.1% | 60.4% | 65.5% | 65.5% | 65.7% |
| Gross Profit | 24.1% | 28.9% | 39.6% | 34.5% | 34.5% | 34.3% |
| Operating Expenses: | | | | | | |
| Operating Expenses | 25.8% | 14.3% | 19.7% | 17.9% | 18.9% | 17.3% |
| Depreciation Expense | 7.3% | 4.9% | 6.8% | 4.6% | 4.6% | 5.4% |
| Operating Income | (9.0%) | 9.7% | 13.1% | 12.0% | 11.1% | 11.6% |
| Other Income (Expense) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Amortization Expense | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Earnings Before Interest & Taxes (EBIT) | (9.0%) | 9.7% | 13.1% | 12.0% | 11.1% | 11.6% |
| Interest Expense | 2.0% | 0.9% | 1.3% | 1.0% | 1.0% | 1.0% |
| Pretax Income | (11.0%) | 8.9% | 11.8% | 11.1% | 10.1% | 10.6% |
| Income Taxes[a] | *28.0%* | *28.0%* | *28.0%* | *28.0%* | *28.0%* | *28.0%* |
| Net Income | (7.9%) | 6.4% | 8.5% | 8.0% | 7.3% | 7.6% |
| Plus: Depreciation & Amortization | 7.3% | 4.9% | 6.8% | 4.6% | 4.6% | 5.4% |
| Cash Flow | (0.6%) | 11.3% | 15.3% | 12.6% | 11.9% | 13.0% |

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a. Pass through entities are worth a premium over an equivalent C Corporation. After considering this premium and applying the S Corp Economic Adjustment Model (SEAM) to this Company, I determined that a flat tax rate of 28% was appropriate.

b. Future working capital requirements are equal to sales multiplied by projected long-term growth multiplied by industry average working capital requirements as a percent of sales (equal to $1.6 million x 4.6% x 4% growth, or $3,209).

c. Capital expenditures set equal to depreciation expense.

d. The Company's long-term debt is assumed to be paid off evenly over 20 years.

e. Per Schedule 6.

## Pacific Cargo Systems LLC

Schedule 19

### Discount Rate and Capitalization Rate Analysis

**Buildup Approach**

| | | |
|---|---|---|
| Risk Free Rate | 4.56% | 20 Year US Treasury bond yield as of November 2007. |
| Equity risk premium | 6.30% | Ibbotson Associates large company stock total returns (SBBI 2007 Yearbook) minus long-term government bonds total returns less 0.8% adj. |
| Size premium | 3.88% | Ibbotson Associates expected smallest decile returns over large company returns (SBBI 2007 Yearbook). |
| Specific risk premium | 2.00% | Risk attributable to subject company compared to stock market average companies |

| Key Factors: | Positive Or Negative |
|---|---|
| Experienced management | + |
| Strong history of growth and profitability since formation | + |
| Strong presence in existing market | + |
| Good growth prospects | + |
| Short operating history | - |

| | |
|---|---|
| **Discount Rate** | 16.74% |
| Expected long-term growth rate | 4.00% |
| **Capitalization rate** | 12.74% |

## Pacific Cargo Systems LLC

Schedule 20

**Acquisitions Price Method**
**Valuation Summary**

| Valuation Ratios | Number of Deals | Market Derived Valuation Ratio | Subject Company Financial Basis | Indicated Value | Add Assets/ Subtract Debt[a] | Indicated Equity Value | Weight |
|---|---|---|---|---|---|---|---|
| **Asset Price Ratios** | | | | | | | |
| Revenue | 14 | 0.58 | $1,893,527 | $1,098,000 | $33,982 | $1,131,982 | 16.7% |
| SDE[b] | 9 | 2.69 | 421,241 | $1,133,000 | 33,982 | $1,166,982 | 16.7% |
| EBITDA[c] | 3 | 4.75 | 296,241 | $1,407,000 | 33,982 | $1,440,982 | 16.7% |
| EBIT[d] | 6 | 5.25 | 209,239 | $1,099,000 | 33,982 | $1,132,982 | 16.7% |
| **Stock Price Ratios** | | | | | | | |
| Pretax Income | 3 | 6.62 | $191,012 | $1,264,000 | NA | $1,264,000 | 16.7% |
| Gross Cash Flow[e] | 3 | 5.91 | $224,531 | $1,327,000 | NA | $1,327,000 | 16.7% |

| | | |
|---|---|---|
| Concluded Value - Acquisitions Price Method *(fully marketable controlling interest basis)* | | $1,244,000 |
| Less: Discount for Lack of Control @14% | × | 86% |
| Concluded Value (non-controlling interest basis) | | $1,069,840 |
| Less: Discount for Lack of Marketability @ 35% | × | 65% |
| **Concluded Value (non-controlling, non-marketable interest basis)** | | **$695,000** |

NA - not available/applicable

a. To convert from Asset Price to Equity Price: add current assets; subtract total liabilities

Per Schedule 2, equal to November 30, 2007

| | |
|---|---|
| Current Assets | 3,827 |
| Less: Liabilities (excl | (30,155) |
| Equals: Adjustment | 33,982 |

b. SDE equals seller's discretionary earnings (= EBITDA plus owners' compensation at $125,000)

c. EBITDA equals earnings before interest, taxes, depreciation and amortization

| | |
|---|---|
| EBIT | 209,239 |
| Depreciation and Amortization annualized 2007 per Sch 18 | 87,002 |
| | 296,241 |

d. EBIT equals earnings before interest and taxes

Per Schedule 18, adjusted annualized 2007 EBIT is equal to 209,239

e. Gross cash flow equal to net income plus depreciation and amortization

Per Schedule 18, adjusted annualized 2007 cash flow equal to 224,531

## Pacific Cargo Systems LLC
**Valuation Summary**

**Schedule 21**

| | *Majority* Indicated Value | Weight |
|---|---|---|
| Concluded Income Approach Value | $980,000 | 50% |
| Concluded Acquisitions Price Method | $1,244,000 | 50% |
| **Concluded Value** | **$1,112,000** | |

| | *Non-Controlling Basis* Indicated Value | Weight |
|---|---|---|
| Concluded Income Approach Value | $637,000 | 50% |
| Concluded Acquisitions Price Method | $695,000 | 50% |
| **Concluded Value** | **$666,000** | |

**Pacific Cargo LLC - Wa & Pacific Courier LLC - WA Combined** **Schedule 22**
**Historical Income Statement**

| | *In Dollars* | | *As a % of Sales* | | Industry |
|---|---|---|---|---|---|
| | Internal | | Internal | | RMA |
| Fiscal year ended December 31 | 2006 | YTD 11/30/07 | 2006 | YTD 11/30/07 | SIC 492110* |
| Sales | 1,763,648 | 4,419,983 | 100.0% | 100.0% | *100.0%* |
| **Cost of Sales:** | | | | | |
| Labor Costs | 443,358 | 653,006 | 25.1% | 14.8% | |
| Independent Contractor Fees | 597,647 | 1,201,884 | 33.9% | 27.2% | |
| Background checks | 1,998 | 1,632 | 0.1% | 0.0% | |
| Cargo Insurance | 7,459 | 16,052 | 0.4% | 0.4% | |
| Depreciation | 83,366 | 191,708 | 4.7% | 4.3% | |
| Drug Screening & Physicals | 3,112 | 6,237 | 0.2% | 0.1% | |
| Fuel Expense | 192,140 | 406,456 | 10.9% | 9.2% | |
| Liability Insurance | 941 | 2,014 | 0.1% | 0.0% | |
| Licenses & Permits | 2,580 | 9,732 | 0.1% | 0.2% | |
| Purchased Transportation | 218,291 | 696,175 | 12.4% | 15.8% | |
| Hired and NonOwned | 7,725 | 15,675 | 0.4% | 0.4% | |
| Rent Expense | 56,768 | 14,578 | 3.2% | 0.3% | |
| Repairs & Maintenance | 39,568 | 82,327 | 2.2% | 1.9% | |
| Umbrella Insurance | 5,317 | 11,890 | 0.3% | 0.3% | |
| Crime & Bonding Insurance | 1,125 | 2,475 | 0.1% | 0.1% | |
| Supplies & Business Forms | 14,485 | 10,897 | 0.8% | 0.2% | |
| Truck Decals | 28,032 | 16,211 | 1.6% | 0.4% | |
| Truck Supplies | 9,426 | 3,946 | 0.5% | 0.1% | |
| Truck Wash | 5,173 | 11,689 | 0.3% | 0.3% | |
| Uniform Expense | 20,068 | 12,894 | 1.1% | 0.3% | |
| Vehicle Insurance | 35,926 | 72,842 | 2.0% | 1.6% | |
| Warehouse Supplies | 21,605 | 15,371 | 1.2% | 0.3% | |
| Recruiting | 6,572 | 2,987 | 0.4% | 0.1% | |
| Cargo Claims | 4,482 | 9,263 | 0.3% | 0.2% | |
| Errors & Omissions | | 411 | 0.0% | 0.0% | |
| Total Cost Of Sales | 1,807,164 | 3,468,352 | 102.5% | 78.5% | *0.0%* |
| Gross Profit | (43,516) | 951,631 | (2.5%) | 21.5% | *100.0%* |
| **Operating Expenses:** | | | | | |
| Salaries & Wages | 272,231 | 449,393 | 15.4% | 10.2% | |
| Rent | 61,673 | 153,863 | 3.5% | 3.5% | |
| Taxes & Licenses | 77,927 | 142,941 | 4.4% | 3.2% | |
| Interest Expense | 27,087 | 70,280 | 1.5% | 1.6% | |
| Depreciation | 11,102 | 23,100 | 0.6% | 0.5% | |
| Bad Debts | 4,400 | 13,910 | 0.2% | 0.3% | |
| Bank Service Charges | 2,785 | | 0.2% | 0.0% | |
| Employee Benefits | | 1,459 | 0.0% | 0.0% | |
| Bank Charges | | 7,543 | 0.0% | 0.2% | |
| Collection Fees | | 1,167 | 0.0% | 0.0% | |
| Computer & Website | 13,087 | 1,977 | 0.7% | 0.0% | |
| Dues & Subscriptions | 287 | 46 | 0.0% | 0.0% | |
| Insurance | 1,511 | 273 | 0.1% | 0.0% | |
| Legal & Professional | 43,653 | 69,013 | 2.5% | 1.6% | |
| Marketing & Promotion | 1,471 | 9,334 | 0.1% | 0.2% | |
| Loan Fees | 5,408 | 814 | 0.3% | 0.0% | |
| Meals & Entertainment | 8,272 | 16,125 | 0.5% | 0.4% | |
| Miscellaneous | | 127 | 0.0% | 0.0% | |
| Office Expense | 31,891 | 13,816 | 1.8% | 0.3% | |
| Postage | 5,692 | 9,145 | 0.3% | 0.2% | |
| Printing & Graphics | | 341 | 0.0% | 0.0% | |
| Processing Fees | 629 | 92 | 0.0% | 0.0% | |
| Professional Development | 5,593 | 5,671 | 0.3% | 0.1% | |
| Penalties & Parking Tickets | 167 | 100 | 0.0% | 0.0% | |
| Telephone | 30,206 | 64,497 | 1.7% | 1.5% | |
| Travel | 47,310 | 68,951 | 2.7% | 1.6% | |
| Utilities | 14,607 | 22,089 | 0.8% | 0.5% | |
| Equipment Rental | 3,443 | | 0.2% | 0.0% | |
| Janitorial | 2,761 | 1,898 | 0.2% | 0.0% | |
| Repairs & Maintenance | 1,628 | 4,741 | 0.1% | 0.1% | |
| Contributions | 1,000 | 16,697 | 0.1% | 0.4% | |
| Total Operating Expense | 675,821 | 1,169,423 | 38.3% | 26.5% | *97.7%* |
| Operating Income/(Loss) | (719,337) | (217,792) | (40.8%) | (4.9%) | *2.3%* |
| **Other Income (Expense):** | | | | | |
| Interest Income, net | | 44 | 0.0% | 0.0% | |
| Vehicle Rental Income | 56,061 | 3,615 | 3.2% | 0.1% | |
| Gains (Losses) on Sale of Assets | | 9,608 | 0.0% | 0.2% | |
| Total Other Income (Exp.) | 56,061 | 13,267 | 3.2% | 0.3% | *0.8%* |
| Pretax Profit | (663,276) | (204,525) | (37.6%) | (4.6%) | *1.5%* |
| Total Income Taxes | 0 | 0 | 0.0% | 0.0% | |
| Net Income | (663,276) | (204,525) | (37.6%) | (4.6%) | |
| Dividends/Distributions (-) | (10,000) | | (0.6%) | 0.0% | |

**Pacific Cargo LLC - Wa & Pacific Courier LLC - WA Combined** **Schedule 23**
**Historical Balance Sheet**

| | *In Dollars* | | *As a % of Total Assets* | | Industry |
|---|---|---|---|---|---|
| | Internal | | Internal | | RMA |
| Fiscal year ended December 31 | 2006 | YTD 11/30/07 | 2006 | YTD 11/30/07 | SIC 492110* |
| **Current Assets:** | | | | | |
| Cash | 52,120 | (19,158) | 3.3% | (1.6%) | *8.1%* |
| Trade Accounts Receivable | 551,406 | 278,952 | 34.7% | 23.1% | *39.0%* |
| Prepaid Expenses | 22,544 | 20,070 | 1.4% | 1.7% | *7.9%* |
| Other | 11,043 | 8,884 | 0.7% | 0.7% | |
| Total Current Assets | 637,113 | 288,748 | 40.1% | 23.9% | *60.6%* |
| **Fixed Assets:** | | | | | |
| Buildings | | | | | |
| Vehicles | 920,871 | 1,086,990 | 57.9% | 89.9% | |
| Warehouse Equipment | 37,008 | 34,906 | 2.3% | 2.9% | |
| Computer Software | 21,632 | 21,632 | 1.4% | 1.8% | |
| Computer Hardware | 36,390 | 36,390 | 2.3% | 3.0% | |
| Other Equipment | 2,335 | 2,335 | 0.1% | 0.2% | |
| Furniture | 18,553 | 18,553 | 1.2% | 1.5% | |
| Telephones | 8,975 | 8,975 | 0.6% | 0.7% | |
| Total Gross Fixed Assets | 1,045,764 | 1,209,781 | 65.8% | 100.0% | |
| Accumulated Depreciation (-) | (94,468) | (294,579) | (5.9%) | (24.4%) | |
| Net Fixed Assets | 951,296 | 915,202 | 59.8% | 75.7% | *31.0%* |
| **Other Non-Current Assets:** | | | | | |
| Loan Fees | 1,193 | 5,528 | 0.1% | 0.5% | |
| Total Other Non-Current Assets | 1,193 | 5,528 | 0.1% | 0.5% | *2.8%* |
| Total Assets | 1,589,602 | 1,209,478 | 100.0% | 100.0% | *100.0%* |
| **Current Liabilities:** | | | | | |
| Notes Payable - Bank | 136,276 | 0 | 8.6% | 0.0% | *20.7%* |
| Current Portion LTD | 0 | 0 | 0.0% | 0.0% | *8.2%* |
| Trade Accounts Payable | 251,840 | 156,801 | 15.8% | 13.0% | *11.0%* |
| Intercompany - Due to ITG Wa | 67,138 | 161,808 | 4.2% | 13.4% | |
| Intercompany AP | 569,831 | 694,520 | 35.8% | 57.4% | *0.0%* |
| Accrued Expenses | 138,905 | 81,173 | 8.7% | 6.7% | |
| Other | 29,369 | (19,468) | 1.8% | (1.6%) | *20.5%* |
| Total Current Liabilities | 1,193,359 | 1,074,834 | 75.1% | 88.9% | *60.4%* |
| | | | | 0 | |
| **Long Term Liabilities:** | | | | | |
| Note Payable, Bank | 819,519 | 795,445 | 51.6% | 65.8% | *14.4%* |
| Total Long-Term Liabilities | 819,519 | 795,445 | 51.6% | 65.8% | *14.7%* |
| Total Liabilities | 2,012,878 | 1,870,279 | 126.6% | 154.6% | *75.1%* |
| **Equity:** | | | | | |
| Common Stock | | 0 | 0.0% | 0.0% | |
| Treasury Stock | | | 0.0% | 0.0% | |
| Retained Earnings | (423,276) | (660,799) | (26.6%) | (54.6%) | |
| Total Equity | (423,276) | (660,799) | (26.6%) | (54.6%) | *24.9%* |
| Total Liabilities & Equity | 1,589,602 | 1,209,480 | 100.0% | 100.0% | *100.0%* |

## Pacific Cargo LLC - Wa & Pacific Courier LLC - WA Combined

Schedule 24

**Historical Financial Ratios**

| Fiscal year ended December 31 | Internal 2006 | Internal YTD 11/30/07[a] | Industry RMA NAICS 492110* |
|---|---|---|---|
| **Growth Rates:** | | | |
| Sales Growth | NA | 150.6% | **NA** |
| Pretax Income Growth | NA | 69.2% | **NA** |
| Total Asset Growth | NA | (23.9%) | **NA** |
| **Efficiency Ratios:** | | | |
| Sales to Assets | 1.1 | 4.0 | **5.1** |
| Times: Pretax Margin | (37.6%) | (4.6%) | **1.4%** |
| Equals: Pretax Return on Assets | (41.7%) | (18.4%) | **7.0%** |
| Times: Assets to Equity | NMF | NMF | **0.00** |
| Equals: Pretax Return on Equity | NMF | NMF | **0.0%** |
| Sales to Net Fixed Assets | 1.9 | 5.3 | **35.8** |
| Sales to Working Capital | (3.2) | (6.1) | **0.0** |
| Accounts Receivable Turnover | 3.2 | 17.3 | **13.8** |
| Inventory Turnover | NMF | NMF | **0.0** |
| Payables Turnover | 7.2 | 24.1 | **0.0** |
| **Liquidity Ratios:** | | | |
| Current Ratio | 0.5 | 0.3 | **1.0** |
| Quick Ratio | 0.5 | 0.2 | **0.8** |
| **Leverage Ratios:** | | | |
| Debt to Worth | NMF | NMF | **5.2** |
| Long-Term Debt to Total Capital | NMF | NMF | **53.9%** |
| Interest Coverage | (23.5) | (1.9) | **2.1** |
| **Working Capital:** | | | |
| Working Capital ($) | (556,246) | (786,086) | |
| Working Capital as a % of Sales | -31.5% | -17.8% | **NA** |

NMF indicates not meaningful

* NAICS 492110 - Courier Service

a. Ratios annualized where appropriate.

## Pacific Cargo LLC - Wa & Pacific Courier LLC - WA Combined

**Schedule 25**

**Earnings Analysis And Adjustments**

| Fiscal year ended December 31 | 2006 | YTD 11/30/07 |
|---|---|---|
| **Sales** | 1,763,648 | 4,419,983 |
| **Cost of Sales Adjustments** | | |
| Cost of Sales | $1,807,164 | $3,468,352 |
| Reclassify: Depreciation Expense | (83,366) | (191,708) |
| **Cost of Sales** | 1,723,798 | 3,276,644 |
| **Operating Expense Adjustments** | | |
| Operating Expenses | $675,821 | $1,169,423 |
| Reclassify: Depreciation Expense | (11,102) | (23,100) |
| Remove: Contributions Expense | (1,000) | (16,697) |
| Reclassify: Interest Expense | (27,087) | (70,280) |
| **Adjusted Operating Expenses** | 636,632 | 1,059,346 |
| **Other Income (Expense)** | | |
| Other Income (Expense) | 56,061 | 13,267 |
| Remove: Gain (Losses) on Sale of Assets | | (9,608) |
| **Other Income (Expense)** | 56,061 | 3,659 |
| **Depreciation Expense Summary** | | |
| Reclassify: Depreciation In Cost of Sales | 83,366 | 191,708 |
| Reclassify: Depreciation In Operating Exp. | 11,102 | 23,100 |
| **Total Depreciation Expense** | 94,468 | 214,808 |
| **Interest Expense Summary** | | |
| Interest in Operating Expenses | 27,087 | 70,280 |
| **Total Interest Expense** | 27,087 | 70,280 |

## Pacific Cargo LLC - Wa & Pacific Courier LLC - WA Combined

**Schedule 26**

**Adjusted Financial Results**

| | *In Dollars* | |
|---|---|---|
| Fiscal year ended December 31 | **2006** | **YTD 11/30/07** |
| Sales | $1,763,648 | $4,419,983 |
| Cost of Sales | 1,723,798 | 3,276,644 |
| Gross Profit | 39,850 | 1,143,339 |
| Operating Expenses: | | |
| Operating Expenses | 636,632 | 1,059,346 |
| Depreciation Expense | 94,468 | 214,808 |
| Operating Income | -691,250 | (130,815) |
| Other Income (Expense) | 56,061 | 3,659 |
| Amortization Expense | 0 | 0 |
| Earnings Before Interest & Taxes (EBIT) | -635,189 | (127,156) |
| Interest Expense | 27,087 | 70,280 |
| Pretax Income | -662,276 | (197,436) |
| Income Taxes[a] | -185,437 | (55,282) |
| Net Income | -476,839 | (142,154) |
| Plus: Depreciation & Amortization | 94,468 | 214,808 |
| Cash Flow | -382,371 | 72,654 |

| | *As a % of Sales* | |
|---|---|---|
| Fiscal year ended December 31 | **2006** | **YTD 11/30/07** |
| Sales | 100.0% | 100.0% |
| Cost of Sales | 97.7% | 74.1% |
| Gross Profit | 2.3% | 25.9% |
| Operating Expenses: | | |
| Operating Expenses | 36.1% | 24.0% |
| Depreciation Expense | 5.4% | 4.9% |
| Operating Income | (39.2%) | (3.0%) |
| Other Income (Expense) | 3.2% | 0.1% |
| Amortization Expense | 0.0% | 0.0% |
| Earnings Before Interest & Taxes (EBIT) | (36.0%) | (2.9%) |
| Interest Expense | 1.5% | 1.6% |
| Pretax Income | (37.6%) | (4.5%) |
| Income Taxes[a] | *28.0%* | *28.0%* |
| Net Income | (27.0%) | (3.2%) |
| Plus: Depreciation & Amortization | 5.4% | 4.9% |
| Cash Flow | (21.7%) | 1.6% |

a. Pass through entities are worth a premium over an equivalent C Corporation. After considering this premium and applying the S Corp Economic Adjustment Model (SEAM) to this Company, I determined that a flat tax rate of 28% was appropriate.

## Pacific Cargo LLC - Wa & Pacific Courier LLC - WA Combined

Schedule 27

**Projected Cash Flow and Income Approach Summary**

| | Annualized | Projected | | | |
|---|---|---|---|---|---|
| Fiscal year ended December 31 | 2007 | 2008 | 2009 | 2010 | Residual |
| Total Sales | 4,419,983 | 5,524,979 | 6,629,975 | 7,955,969 | 8,353,768 |
| Cost of Sales | 3,276,644 | 3,922,735 | 4,640,982 | 5,489,619 | 5,764,100 |
| Gross Profit | 1,143,339 | 1,602,244 | 1,988,992 | 2,466,351 | 2,589,668 |
| Operating Expenses: | | | | | |
| Operating Expenses | 1,059,346 | 1,381,245 | 1,657,494 | 1,988,992 | 2,088,442 |
| Depreciation Expense | 214,808 | 193,374 | 165,749 | 119,340 | 125,307 |
| Operating Income | -130,815 | 27,625 | 165,749 | 358,019 | 375,920 |
| Other Income (Expense) | 3,659 | 0 | 0 | 0 | 0 |
| Amortization Expense | 0 | 0 | 0 | 0 | 0 |
| Earnings Before Interest & Taxes (EBIT) | -127,156 | 27,625 | 165,749 | 358,019 | 375,920 |
| Interest Expense | 70,280 | 77,350 | 79,560 | 79,560 | 83,538 |
| Pretax Income | -197,436 | -49,725 | 86,190 | 278,459 | 292,382 |
| Income Taxes[a] | -55,282 | -13,923 | 24,133 | 77,969 | 81,867 |
| Net Income | -142,154 | -35,802 | 62,057 | 200,490 | 210,515 |
| Plus: Depreciation & Amortization | 214,808 | 193,374 | 165,749 | 119,340 | 125,307 |
| Cash Flow | 72,654 | 157,572 | 227,806 | 319,830 | 335,821 |
| Less: Working Capital Additions[b] | | -529,623 | -55,250 | -66,300 | -19,890 |
| Less: Capital Expenditures[c] | | -100,000 | -100,000 | -100,000 | -125,307 |
| Less: Additions/(Reductions) in Long-Term Debt[d] | | 0 | 0 | 0 | 0 |
| **Free Cash Flow to Equity** | | -472,051 | 72,556 | 153,530 | 190,625 |
| Divided by: Capitalization Rate[e] | | | | ÷ | 14.74% |
| Future Value | | | | | 1,293,250 |
| Multiplied by: Present Value Factor | × | 0.91 | 0.76 | 0.64 | 0.64 |
| Present Value of Cash Flows | | -431,389 | 55,375 | 97,858 | 824,298 |
| **Equity Value (controlling interest basis)** | | | $ 546,142 | | |
| Discount for Lack of Marketability | | × | 65% | | |
| **Concluded Value (non-marketable, non-controlling interest basis)** | | | $ 354,993 | | |

| **Assumptions** | | | | | |
|---|---|---|---|---|---|
| *Sales Growth* | *NA* | *25%* | *20%* | *20%* | *5%* |
| *Gross Profit Margin* | *25.9%* | *29.0%* | *30.0%* | *31.0%* | *31.0%* |
| *Operating Expense Margin* | *24.0%* | *25.0%* | *25.0%* | *25.0%* | *25.0%* |
| *Depreciation Expense (as a % of sales)* | *4.9%* | *3.5%* | *2.5%* | *1.5%* | *1.5%* |
| *Interest Expense Margin* | *1.6%* | *1.4%* | *1.2%* | *1.0%* | *1.0%* |

a. Pass through entities are worth a premium over an equivalent C Corporation. After considering this premium and applying the S Corp Economic Adjustment Model (SEAM) to this Company, I determined that a flat tax rate of 28% was appropriate.

b. Future working capital requirements estimated at 5% of sales
The change in working capital is shown as follows:

| | Actual 11/30/07 | Projected 12/31/08 | Projected 12/31/09 | Projected 12/31/10 | Residual |
|---|---|---|---|---|---|
| Balance | -786,086 | | | | |
| Remove: I/C Liabilities | 532,712 | | | | |
| Adj Working Capital | -253,374 | 276,249 | 331,499 | 397,798 | 417,688 |
| *Change* | | *-529,623* | *-55,250* | *-66,300* | *-19,890* |

c. Future capital expenditures as prepared by management (including expected CBB expenditures).

d. The Company has no long-term debt, so future additions are projected at zero.

e. Per Schedule 7.

## Pacific Cargo LLC - Wa & Pacific Courier LLC - WA Combined

Schedule 28

**Discount Rate and Capitalization Rate Analysis**

**Buildup Approach**

| | | |
|---|---|---|
| Risk Free Rate | 4.56% | 20 Year US Treasury bond yield as of November 2007. |
| Equity risk premium | 6.30% | Ibbotson Associates large company stock total returns (SBBI 2007 Yearbook) minus long-term government bonds total returns less 0.8% adj. |
| Size premium | 3.88% | Ibbotson Associates expected smallest decile returns over large company returns (SBBI 2007 Yearbook). |
| Specific risk premium | 5.00% | Risk attributable to subject company compared to stock market average companies |

| Key Factors: | Positive Or Negative |
|---|---|
| Experienced management | + |
| New business, new infrastructure in Washington State | + |
| Delivery challenges, good growth prospects, high risk | + |
| Losses in 2006 and 2007 | - |

| | |
|---|---|
| **Discount Rate** | 19.74% |
| Expected long-term growth rate | 5.00% |
| **Capitalization rate** | 14.74% |

## Pacific Cargo LLC - Wa & Pacific Courier LLC - WA Combined

Schedule 29

**Acquisitions Price Method**
**Valuation Summary**

| Valuation Ratios | Number of Deals | Market Derived Valuation Ratio | Upward/ (Downward) Adjustment | Selected Valuation Ratio | Subject Company Financial Basis | Indicated Value | Add Assets/ Subtract Debt[a] | Indicated Equity Value |
|---|---|---|---|---|---|---|---|---|
| **Asset Price Ratios** | | | | | | | | |
| Revenue | 14 | 0.58 | (15%) | 0.49 | $4,419,983 | $2,166,000 | ($1,581,531) | $584,469 |

| | | |
|---|---|---|
| Concluded Value - Acquisitions Price Method *(fully marketable controlling interest basis)* | | $584,469 |
| Less: Discount for Lack of Control @14% | × | 86% |
| Concluded Value (non-controlling interest basis) | | $502,643 |
| Less: Discount for Lack of Marketability @ 35% | × | 65% |
| **Concluded Value (non-controlling, non-marketable interest basis)** | | **$327,000** |

## Pacific Cargo LLC - Wa & Pacific Courier LLC - WA Combined

**Schedule 30**

**Valuation Summary**

| | *Majority Interest* Indicated Value | Weight |
|---|---|---|
| Concluded Income Approach Value | $546,000 | 80% |
| Concluded Acquisitions Price Method | $584,469 | 20% |
| **Concluded Value** | **$554,000** | |

| | *Non-Controlling Interest* Indicated Value | Weight |
|---|---|---|
| Concluded Income Approach Value | $355,000 | 80% |
| Concluded Acquisitions Price Method | $327,000 | 20% |
| **Concluded Value** | **$349,000** | |